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DRUG STORE NEWS®

Vol. 12/No. 22 Our 62nd year of serving chains, wholesalers and high-volume independents Published by Lebhar-Friedman Inc. Dec. 10, 1990

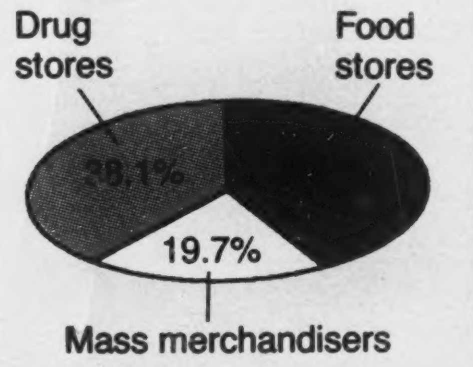
LATE NEWS

- PONTIAC, Mich. — The National Labor Relations Board has dismissed charges that Perry Drug Stores discriminated against or harassed former Revco store employees represented by the United Food and Commercial Workers union.
- SALT LAKE CITY — American Stores reported that third quarter net income climbed 64 percent to $30.9 million on sales of $5.4 billion.
- WASHINGTON — In the Fantle's Drug breakup: F&M has landed two more leases in Herndon, Va. and Bowie, Md.; while Peoples Drug reportedly got Fantle's flagship store in Bethesda, Md. and a Dale City, Va., lease.

FEATURES

H&BA dollar sales share trends

(First eight months, 1990)



Source: Nielsen Marketing Research

Nielsen Review of Drug Store Retailing

A look at the economic environment, sales and invento llocation an s 59–68.

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SECOND CLASS

Apparel veteran named president:

Thrifty gets Rich

Eve A. Rich

By Elizabeth Richardson

LOS ANGELES — Thrifty Corp. has named Eve A. Rich, former chairman and ceo of the Contempo Casuals chain based here, as president of its 577-drug store unit.

The company is looking to Rich — the first woman to head a major drug chain — to give the struggling Thrifty a much-needed shot in the arm. "Eve has been in retailing since 1961, and we hope that she will help provide new ideas with marketing and merchandising, which are really her strengths," said Chris Bement, Thrifty's senior vp-industrial relations. "She knows the Southern California marketplace well. She's spent most of her career here, so it will be a good fit for us."

The 49-year-old Rich was the driving force behind the fast growth and success of Contempo Casuals, a unit of Neiman-Marcus Group Inc. In eight years during the eighties the company grew from 28 regional stores to a national chain of 240 specialty stores.

"She was a key part of the turnaround at Contempo, which without a doubt, was

See **Rich,** *page 77*

Douglas, Coutu's Maxi tie New England knot

By James Frederick

MONTRÉAL — Douglas Drug, Rhode Island's concentrated chain drug powerhouse, has agreed to merge its 16 stores with the five-store Maxi Drug division of Québec's Jean Coutu Group. The merger will arm Douglas with Coutu's financial muscle, give the Montréal-based Coutu a firm base of operations in its decade-long quest for retail business in the U.S., and create a potent new force in New England drug store retailing.

"The one thing we've always been shy of is the capital to grow, and this merger will give Douglas that ability. The potential for our people is just tremendous," Douglas president and principal owner John Haronian told *Drug Store News.*

> *'The one thing we've always been shy of is the capital to grow, and this merger will give Douglas that ability.'*
>
> **— John Haronian**
> president, Douglas Drug

"We've been courting him for eight years," added François Jean Coutu, executive vp of Coutu. "Douglas is a well-kept, well-organized drug chain with a good name in Rhode Island for 25 years, and

See **Douglas,** *page 77*

SupeRx ordered to cut Medicare-Glaser loose

ST. LOUIS — A Federal bankruptcy court judge here said that Medicare-Glaser will be auctioned off Dec. 19. His ruling came after SupeRx Corp., Medicare's parent, failed to gain financing for a Chapter 11 reorganization plan.

The judge had given SupeRx until Nov. 10 to line up financing. When the company failed to meet the deadline, the judge ordered the 70-store chain to be auctioned "as a going concern." But he left open the possibility of a last-minute deal by the debtor.

"We were negotiating on several different fronts" until the last week in November to find financing, Judy Dworkin, a lawyer for SupeRx, said. On Nov. 26, the judge slammed the door shut.

"I think we have considerably more value in Medicare-Glaser than we had in SupeRx," said Susan Freeman, the lawyer for the unsecured creditors. SupeRx's last stores in Phoenix were auctioned last month after management similarly failed to line up financial backing.

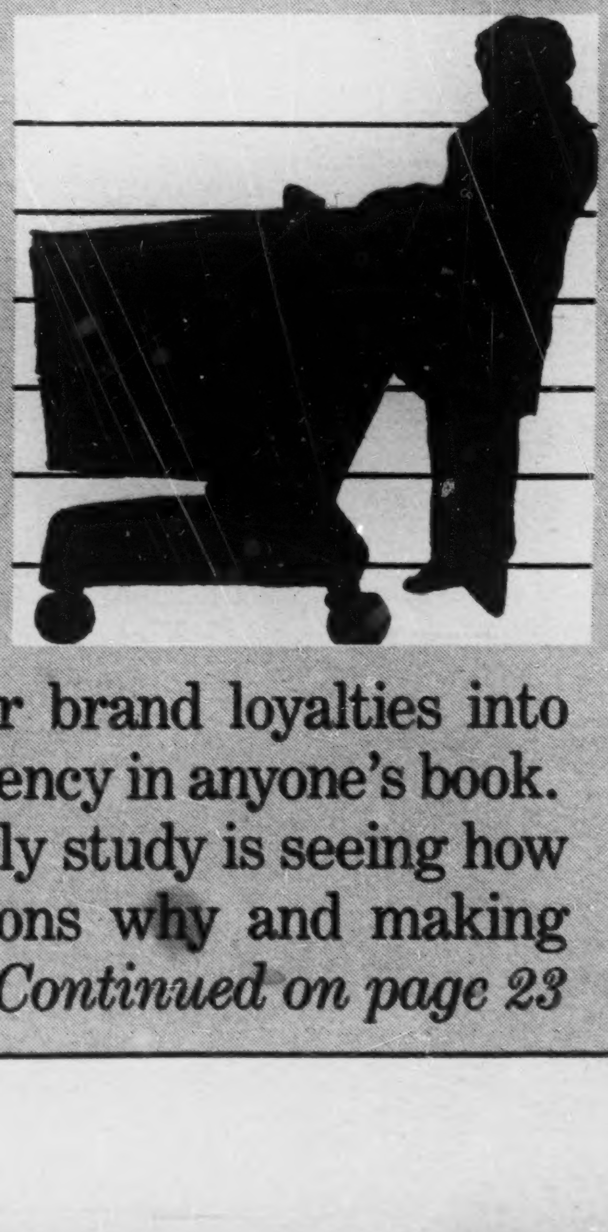
The collapse and federal takeover of the Lincoln Saving & Loan, SupeRx's chief lender, had forced the chain last year into Chapter 11.

Shopper loyalties highlighted in Consumer Brands Preference Study

By David Vaczek

Can you put these numbers in the bank?

The results of *Drug Store News'* Second Annual Consumer Brands Preference Study may not be as bankable as market share figures. Nor are they the retailer's most precise information for building planograms.



But shoppers often vote with their hearts and minds, and translate their brand loyalties into shopping activity. And that's hard currency in anyone's book.

The value and fun of this major yearly study is seeing how loyalties shift, reporting on the reasons why and making

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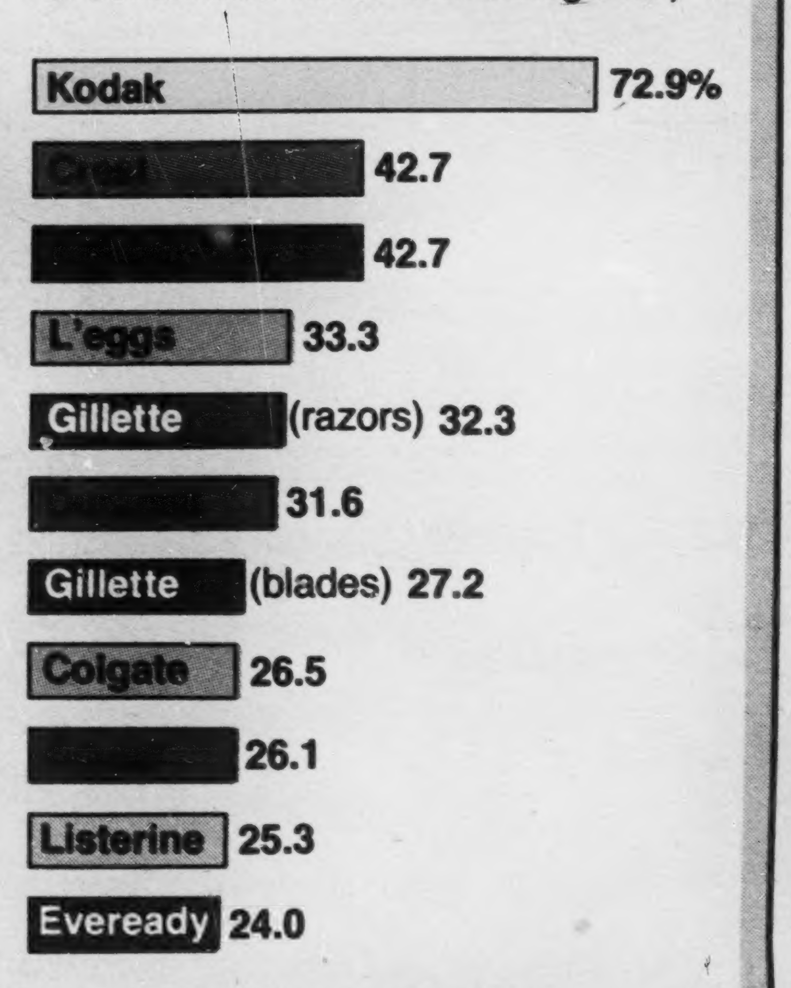
CONSUMER BRAND HEAVYWEIGHTS

(Brands preferred by at least 20 percent of consumers within their categories)



Source: Leo J. Shapiro and Associates

NEWS IN BRIEF

Arbor makes late-year expansion push

TROY, Mich. — Arbor Drugs opened four new stores in November, bringing its total to 109 units in Michigan.

All four units are located in Arbor's home market, the greater Detroit region. The stores are located in Grosse Pointe Woods, Highland Township, Oak Park and Mt. Clemens. The chain is aiming at 150 stores before the mid-1990s.

On another front, Arbor chairman and ceo Eugene Applebaum was named Strategic Manager of the Year by the Detroit chapter of The Planning Forum, a business development group.

Along with its expansion push, the chain is also emphasizing its corporate citizen role. Arbor sponsored the sixth annual Festival of Trees' Santaland display at Detroit's Cobo Hall last month to benefit Children's Hospital of Michigan. The event drew thousands of parents to Arbor stores to redeem free prints of photos of their children with Santa.

Revco, Retton team up; Yaeger resigns

TWINSBURG, Ohio — Revco D.S. employed its new corporate spokesperson, Olympic medalist Mary Lou Retton, in a one-week holiday fundraising effort last month to benefit the families of seriously ill children.

Revco donated $2 of every $5.99 purchase of plush bears toward a local Ronald McDonald House during the event. The promotion was expected to raise $225,000 for 33 of the centers.

In a separate matter Steve Yaeger has resigned as vp-loss prevention at Revco. A spokeperson confirmed that Mike Povendo, security director, Western region, has been named as interim head of security.

Kmart marks automation milestone

TROY, Mich. — K mart Corp. has completed chainwide installation of point-of-sale scanners and satellite systems in its more than 2,200 K mart stores in the U.S. The four-year installation effort allows K mart to record every transaction and "respond quickly to what's new, what's in demand and what will keep customers coming back," according to a spokesman.

Coupled with the satellite system, the scanners cut checkout times by 25 percent, said K mart chairman Joe Antonini. "These systems not only get in-demand merchandise on our shelves faster but shorten checkout lines," he said. "[They] are integral to our retail automation program and provide the basis for centralized merchandising, expense control and customer service."

Ex-SupeRx's Schwallie joins SRX

PHOENIX — Bruce Schwallie, a vp with recently-sold SupeRx Corp. of Phoenix, joined SRX Acquisition Corp., the Al Towle-led group that recently purchased groups of Revco and SupeRx stores in the Southwest. Schwallie will be a director of merchandising.

Also, Patrick McCafferty has joined SRX as director of merchandising. A former senior merchandising director with Revco, McCafferty joined Douglas Drugs after leaving Revco in 1986, and was most recently director purchasing at Gary's Drugs.

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Simplicity, service propel growth at H_2O Plus shops

CHICAGO — H_2O Plus is making waves from San Francisco to Connecticut with specialty stores that showcase its own lines of bath and skin care products in a setting emphasizing simplicity and service.

Since the first H_2O Plus store opened here on exclusive North Michigan Avenue (appropriately, near Chicago's famed Water Tower) just over a year ago, in October 1989, the chain has grown to 23 stores in major markets across the country and in Canada. With a target of 27 stores by the end of the year, its 22nd and 23rd stores opened within a week of each other last month, one in "The Gardens," in Palm Beach, Fla., the other in the West Farms Center in West Hartford, Conn.

H_2O Plus products, sold exclusively in the company's outlets, emphasize water for moisturization, botanicals and a trademarked Hydrogels delivery system. About 100 products were developed initially. Lines now include skin care and specialty skin care, bath & shower basics and luxury, "body therapy" and sun care lines, plus special lines for men, children and babies. Plans are to launch a hair care line in February.

While the company's site strategy is to locate in high-traffic, top-of-the-line shopping centers, such as its shop in suburban Oak Brook Shopping Center here, among the likes of I. Magnin and Marshall Field, H_2O Plus's marketing strategy eschews an upscale image, instead emphasizing value and service.

Progressive Bath and Skincare
Progressive

H_2O Plus store in Oak Brook (Ill.) shopping center in suburban Chicago was one of first five units opened by the specialty chain.

Cindy Melk, 28, executive vp and creative director, who originated the H_2O Plus concept, said her idea was to create a non-nonsense, affordable alternative to what she considered the overpriced, overpackaged products offered in department stores.

Thus, H_2O Plus products are priced about 15 percent to 20 percent below department store designer lines, ranging from $1 for sparkling mineral water to $25 for Moisture Therapy skincare gel. The average product price is $12, and the average transaction is about $35.

Packaging is minimal—transparent plastic bottles, jars and tubes—letting the contents' bright colors and fragrances attract the customer. Labels feature H_2O Plus's wavy logo; descriptions and instructions are clear and simple. Products are not tested on animals.

"We're an informational store," said Melk. "Our employees are informed and answer questions honestly about what's healthy for skin." In order to maintain that informed staff, the company has salespeople attend three-day seminars twice a year, in addition to their initial training.

Salespeople help customers

Continued on page 77

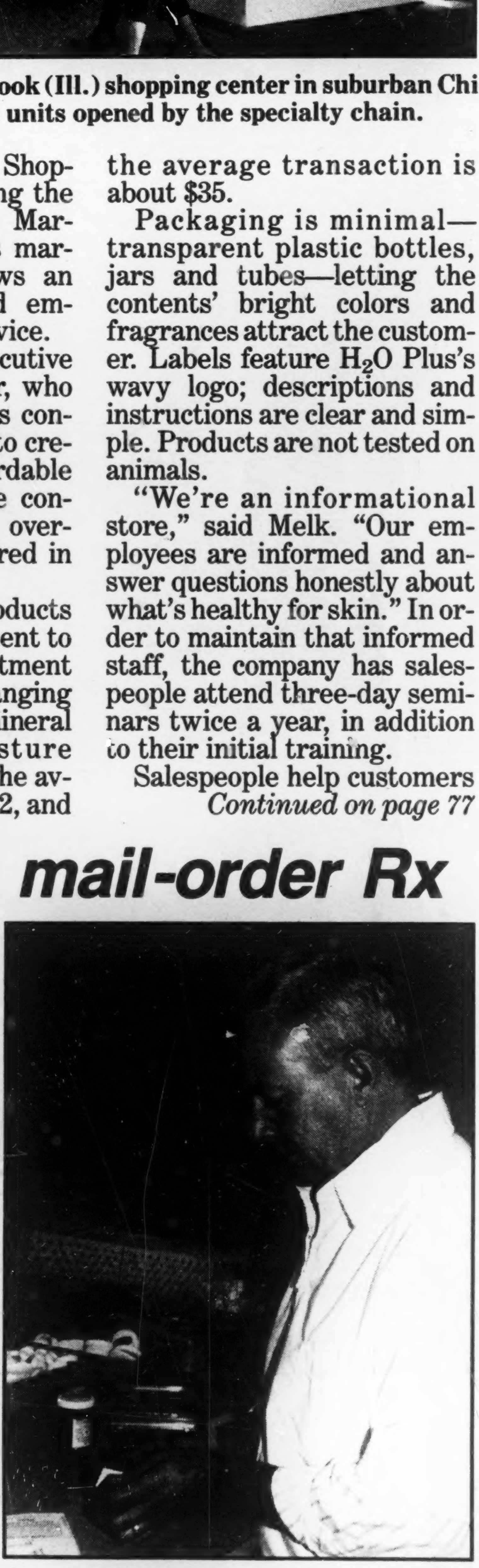
Pay Less scores with mail-order Rx

WILSONVILLE, Ore. — Pay Less Drug Stores NW has struck a responsive chord with the launch of Pay Less Prescription Express, its new mail-order pharmacy service. Since Prescription Express opened for business Oct. 22, Pay Less has signed up three of its third-party plans and tripled the number of pharmacists staffing the operation to meet unexpected early demand.

"We started with one pharmacist, one technician and a couple of clerical people, but frankly, with the success of the thing, we've had to add staff," said Gordon Barker, vp-pharmacy sales for Pay Less. "We now have three full-time pharmacists on duty . . . on heavy days, we pull in extra relief from nearby stores."

The new service's main aim, at least initially, is to bolster the chain's ability to market and deliver a full range of prescription services to current and potential third-party clients. "We are constantly looking for ways to provide better service, [and] this program will do that, particularly for clients of third-party payers," said Barker. "With HMOs, PPOs and other insurance plans becoming more prominent in pharmacy business, we wanted to be responsive to the particular needs those groups represent."

Roughly 40 percent of the chain's prescription business is already third party, and that percentage continues to grow, said Barker. Pay Less now services 450 to 500 different plans, and its computer capabilities give it on-line billing and verification abilities with the vast majority of them. Said Barker, "We expect to be a major player in the third-party business on the West Coast, if we aren't already. [Mail order] is a tool that will help us market to our third-party plans."



Pay Less' Prescription Express needs three pharmacists on duty including John Hanson.

Highlighting the early success of Prescription Express is the fact that one of the first three third-party plans to sign on for the service is Foundation Health Care Plan of Sacramento, with more than 300,000 member-participants in California. All those members now have access to Pay Less' mail-order service as well as its retail prescription services.

Barker said the mail-order service will ultimately save money for all involved. "With this service, we have a lower overhead, which allows for lower costs to the provider.

Continued on page 77

OPINION

The industry's 10 best stories of '90

IN THE MARKET
BRUCE BUCKLEY

It's that time of year: The time when newspaper and magazine writers, columnists, critics, etc., look back and compile their Ten Best (or Worst) lists. I won't depart from that tradition, as hackneyed as it may be. So, herewith is my 1990 Ten Best list.

Eve Rich becomes president of Thrifty Drug. For me this story tops the list — a huge surprise. There were no doubt any number of possible retail drug suitors for this challenging, high-visibility job. Thrifty Corp. took a different route and picked a top executive from apparel retailing. A sense of fashion, a woman's point of view, a proven track record in guiding company growth — these should be considerable strengths for a chain that badly needs to lure more women shoppers back into its stores. Thrifty's to be commended for its intriguing choice.

The return of familiar names to the chain drug scene. This involves not one but several stories that broke during during the year. Among the well known returning veterans: Bob Begley, Al Towle and Bill Edwards.

Raisa Gorbachev's impromptu visit to a Snyder's drug store. Not a blockbuster news event, but for me symbolic, at the most basic, grassroots level, of how far we've come in reducing East-West tensions.

Martin Grass and Rite Aid cleared in bribery case. This was a case that never should have been brought, as the trial judge quickly determined. That Rite Aid and its president were able to maintain the company's momentum in the face of extraordinary pressures was a tribute to their toughness.

Expansion of advanced computer technology. Again, not one story, but many. Drug chains such as Walgreens, Eckerd, Thrifty, Rite Aid, Pay Less and others committed their investment resources to automation advances. Their health depended on it.

Dan Jorndt becomes Walgreens' president. With all the highly publicized management turmoil at other chains, it was refreshing to report on the well planned transition of leadership from Fred Canning to Dan Jorndt.

Growing strength of pharmacy departments. Yes, supermarkets and discount department stores are installing pharmacies as fast as they can. But drug stores, with their neighborhood convenience and pharmacy tradition, retain the edge. In the end, there will be more than enough for everyone as America's population ages, and new drugs are found for an assortment of ills.

New drug store formats create excitement. Periodic store remodels have always been a part of drug retailing. But within the past couple of years, there's been an acceleration of new designs featuring exciting, easy-to-shop front ends coupled with warmer, more accessible pharmacy departments. It's hard to single anyone out, but *Drug Store News* honored two of the best with REX awards: Eckerd and Pay Less.

Peoples' purchase by CVS. The good news was that a proud chain with a long history will continue and prosper under CVS's management. The bittersweet part: the top-level management that got the chain turned around will be leaving.

Chains respond to reserve call-up in Mideast crisis. Eckerd, Osco and others went far beyond what the law required in protecting the jobs and status of reservists called up during the crisis. It was the finest example of companies operating for the good of their communities, and thereby doing themselves good.

If I were to compile a "worst list," it would have to include the demise of Dart, the prosecution of Rite Aid and Martin Grass, the continuing erosion of drug stores' H&BA market share, the bankrupcy turmoil at Revco and the failure of SupeRx Corp. of Arizona, a promising newcomer to the chain drug field.

In any event, here's to a more prosperous 1991.

H_2O plus Ulta^3 equals loyal patronage

THE HUMAN SIDE
AL HELLER

How much is H_2O PLUS Ulta^3? Chicago-area merchants know this really isn't a math problem; rather, it's a lesson in building loyal patronage, repeat visits and incremental sales and profits.

In recent months, these two totally dissimilar specialty chains — H_20 PLUS and Ulta^3 — have brought shoppers some fresh, feel-good approaches to some well-off, fast-growing suburbs of the Windy City. Both appeal to sophisticated, value-oriented consumers who respond to service.

Ulta^3 just opened its third, 6,000-square-foot, off-price cosmetics-fragrances-costume jewelry-fashion store in Morton Grove around Thanksgiving and plans for two more to follow shortly. Ulta^3, billed as the "ultimate beauty store," was developed by ex-Osco executives Dick George and Terry Hanson, who know this local market.

Their premise is direct: be first with new products; be 100-percent in-stock or sell it next time to a customer for half-price; no display hassles, such as locked showcases; easy returns and exchanges; 20 percent to 30 percent discounts on most items.

Cook that with a pamper premise: Color Me Beautiful makeovers available for $30; a three-seat hair salon anchors the store's rear corner; a calming gray, mauve and black decor. It could be a recipe for loyalty. The format's development, an obvious stretch from their drug store roots, followed extensive consumer research.

H_2O PLUS operates 23 bath and skin care specialty shops — it's aiming for 27 by year's end — from San Francisco to Palm Beach, Fla., to West Hartford, Conn., with Chicago a prime market. Its dazzling presentation befits a department store, whose shoppers the chain is attempting to pick off with unintimidating service, a sense of in-store fun and aggressive follow-up with those on their mailing list.

Claims aside that H_20 PLUS might aim too high and miss mass traffic, or has copied ideas from the better established Body Shops, *the chain makes customers feel good.* As Jonathan, an Oak Brook sales associate, said, "In department stores, you face pushy women, then leave the store with a little bag and a big receipt."

At H_2O PLUS, yellow rubber ducks fill stainless steel sinks as part of the decor; signs urge customers to "indulge, pamper, caress" and more; gifts are wrapped; glass shelves are curved to resemble waves. People lighten up in here and are more receptive to buy. The result: $35 average transactions on a $12 average SKU of concentrated skin care product.

Cash register receipts include the store phone number and salesperson's name. Every salesperson attends intensive three-day seminars twice a year. Salespersons aren't licensed to apply creams to the face, but liberally sample products on customers' hands. And, in a matter of minutes, a shopper and salesperson can complete a detailed skin care profile form — with copies going to the customer, who feels pampered; the salesperson and the store file for subsequent visits, and the corporate office for follow-up mailings.

The Oak Brook store alone maintains profiles on 500 customers — an enviable corps of repeat shoppers for any store selling toiletries. That's the power of personalization.

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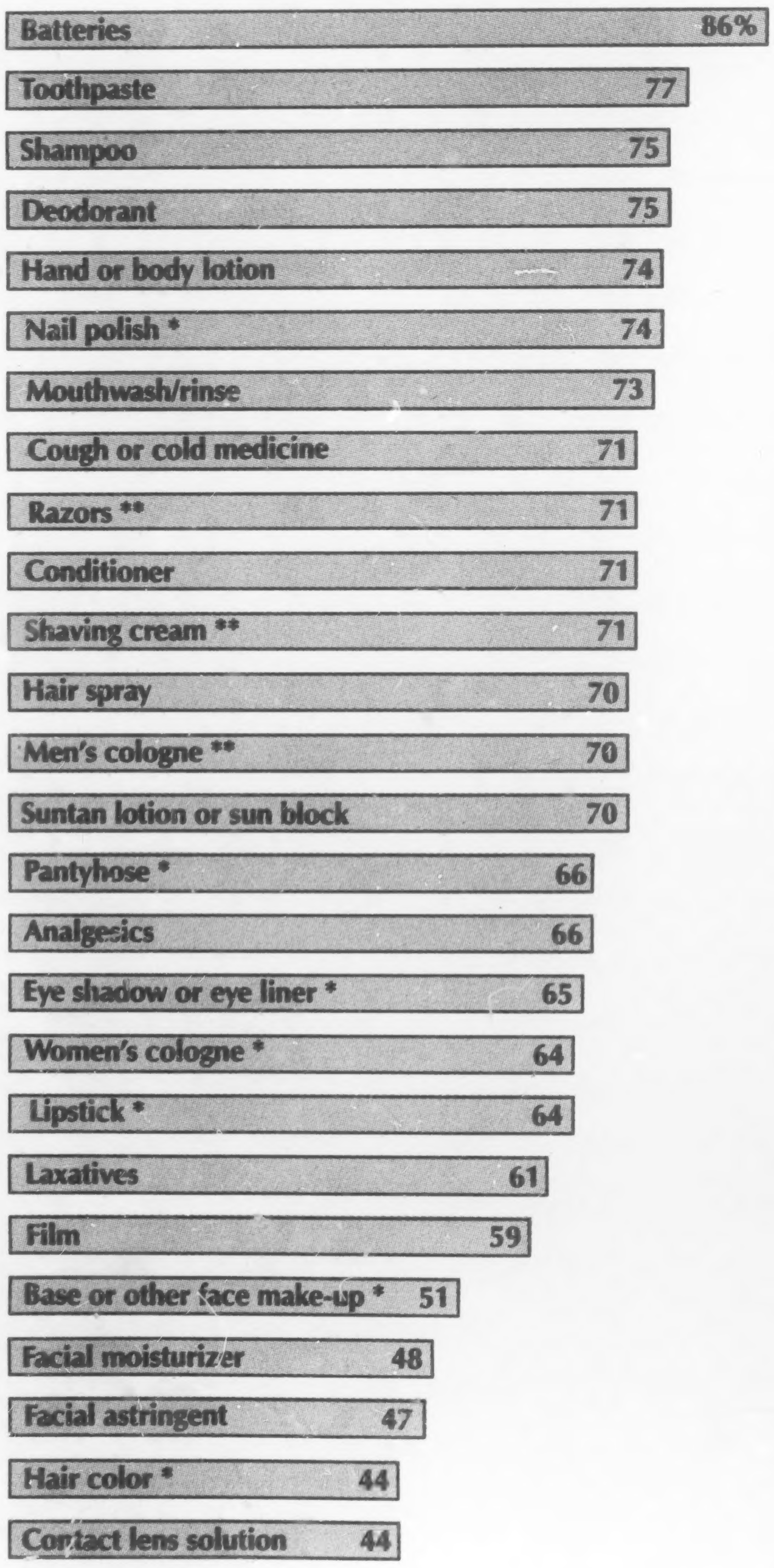
Walgreens	8.8%	Perry	1.5%
Revco	6.0	SupeRx	1.5
Eckerd	5.6	Rexall	1.5
Osco	3.1	Peoples	1.4
CVS	2.9	Pathmark	1.1
Thrifty	2.9	Pay Less	1.1
Rite Aid	2.6	Thrift	1.1
Wal-Mart	2.3	Snyder	0.9
Longs	2.2	Brooks	0.6
Drug Emporium	2.1	Medicine Shoppe	0.5
Sav-on	1.9	Other	39.9
Phar-Mor	1.7	None	3.0

Most customers are willing to switch brands

(Percentage of shoppers willing to switch if regular brand is out of stock)

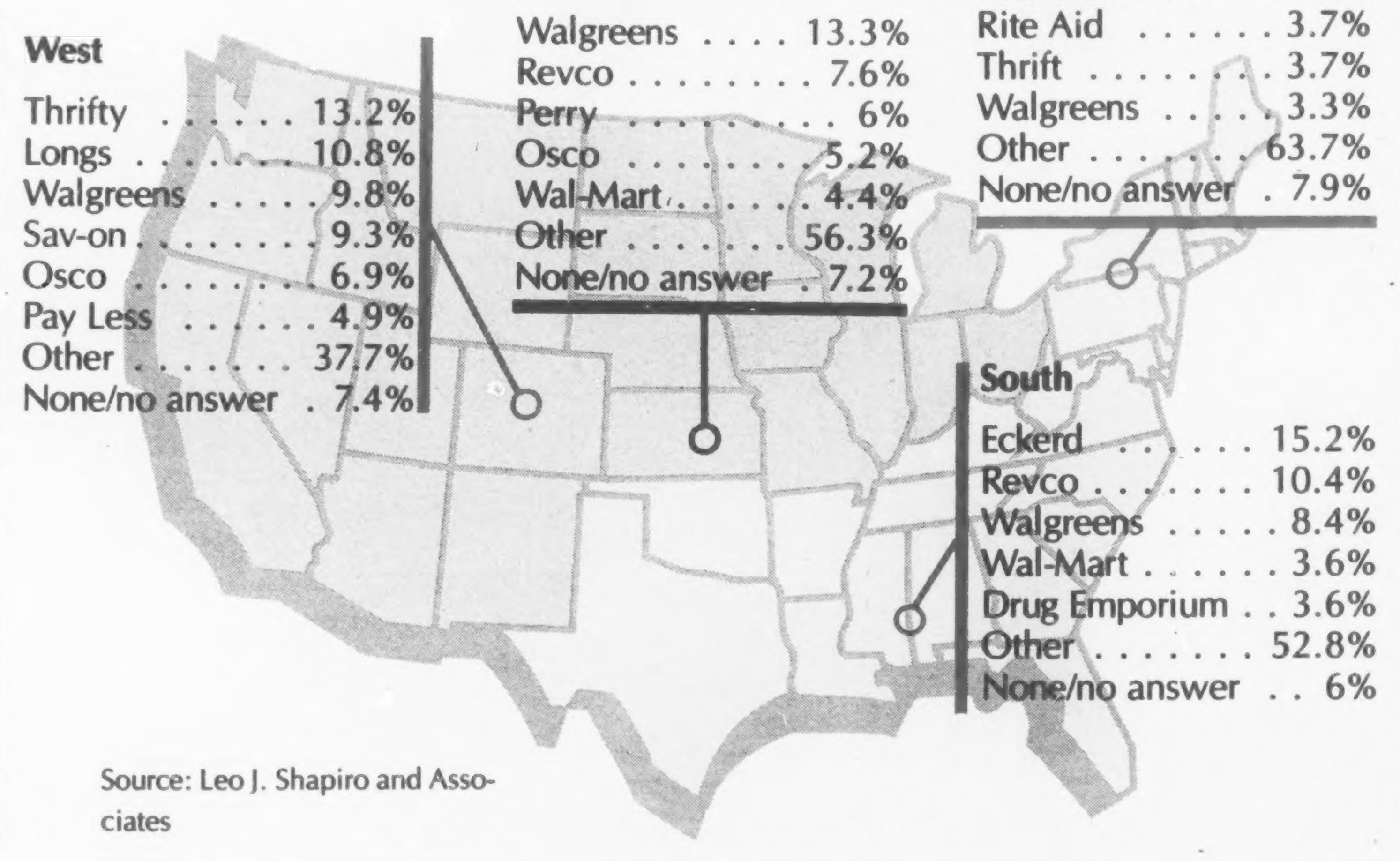


Category	%
Batteries	86%
Toothpaste	77
Shampoo	75
Deodorant	75
Hand or body lotion	74
Nail polish *	74
Mouthwash/rinse	73
Cough or cold medicine	71
Razors **	71
Conditioner	71
Shaving cream **	71
Hair spray	70
Men's cologne **	70
Suntan lotion or sun block	70
Pantyhose *	66
Analgesics	66
Eye shadow or eye liner *	65
Women's cologne *	64
Lipstick *	64
Laxatives	61
Film	59
Base or other face make-up *	51
Facial moisturizer	48
Facial astringent	47
Hair color *	44
Contact lens solution	44

* Women shoppers only
** Men shoppers only

Source: Leo J. Shapiro and Associates

What drug stores consumers shop most, by region



West

Thrifty	13.2%
Longs	10.8%
Walgreens	9.8%
Sav-on	9.3%
Osco	6.9%
Pay Less	4.9%
Other	37.7%
None/no answer	7.4%

Midwest

Walgreens	13.3%
Revco	7.6%
Perry	6%
Osco	5.2%
Wal-Mart	4.4%
Other	56.3%
None/no answer	7.2%

Northeast

CVS	13%
Pathmark	4.7%
Rite Aid	3.7%
Thrift	3.7%
Walgreens	3.3%
Other	63.7%
None/no answer	7.9%

South

Eckerd	15.2%
Revco	10.4%
Walgreens	8.4%
Wal-Mart	3.6%
Drug Emporium	3.6%
Other	52.8%
None/no answer	6%

Source: Leo J. Shapiro and Associates

Where does product loyalty end, price sensitivity begin?

Continued from page 1

sense of economic and lifestyle factors that will determine where those preferences will lie in the coming year.

Consumers' perceptions about brands, and their reasons for buying vary. It's hard to know where loyalty or habit ends, and where, say, price sensitivity begins. Promotions and advertising might spark consumer interest in a brand during the flight, but yield few clues to long-term brand preferences.

Gender, age and geographic region, along with product quality, and vendor and retailer ads and promotions further influence brand preferences. Merchandisers with insight will always be ahead when assorting departments intelligently.

The *Drug Store News* study offers interesting perspective on how consumers think about 28 merchandise categories. Their buying behavior on a broad range of products, from OTCs to cosmetics to batteries, is also tracked in food and discount stores, which the survey confirms are key purveyors of many "drug store" products.

The survey results lead to two key conclusions: (1) drug chains are a frequently preferred retail channel for the front-end merchandise surveyed, and (2) consumers have a strong awareness and loyalty to brands, which they buy year-round.

Consumers' brand loyalty comes from a need for convenience and security. Brands take the risk out. . . by offering a product that has worked well before.

Brand preference runs high. Between 82 percent and 99 percent have a preferred brand. Aspirin or non-aspirin pain relievers was most cited as the category with a preferred brand, by 98.6 percent of users. It was followed by toothpaste, at 98.4 percent, and film, 97.9. Quality is paramount to consumers in aspirin and film, so they prefer the brand that last performed well for them. Strong vendor advertising helps bond shoppers to their preferred toothpaste.

In the categories in which consumers were least likely to have a favorite, brand preference still runs high. Sun lotion scored lowest, with 81.8 percent still having a preferred brand, followed by nail polish, 85.9 percent, and hairspray, 88.5 percent.

The survey found that consumers largely buy the brand they desire; from 80 percent to 94 percent of shoppers make a successful trip. Discount and food stores' increasing emphasis on these categories, and drug chains' competitive emphasis on assortment, certainly accounts for the high satisfaction level mass retailers are providing.

Consumers' brand loyalty comes from a need for convenience and security. Brands take the risk out of purchasing by assuring the consumer a product that has worked well before.

The South emerged as a region of high brand awareness. Among those saying they had more awareness than others, 33.9 percent were from the South, followed by the Midwest, at 23.6 percent; the West was lowest at 18.2 percent.

Most shoppers will switch if their preferred brand isn't available. Consumers' high willingness to switch attests to brands' overall credibility. Shoppers expect to receive equal value from another product

Continued on page 41

Consumers name their favorite brands

(Shoppers were asked: If you were buying a product in a particular category, which brand would you buy?)

Analgesics
- Tylenol
- Bayer
- Advil

Contact lens solution
- Bausch & Lomb
- Boston
- Alcon

Cough or cold medicine
- Vicks
- Robitussin
- Nyquil

Laxatives
- Ex-Lax
- Correctol
- Metamucil

Mouthwash/rinse
- Scope
- Listerine
- Plax

Toothpaste
- Crest
- Colgate
- Aqua Fresh

Shampoo
- Suave
- Head & Shoulders
- Pert/Pert Plus

Conditioner
- Suave
- Nexxus
- White Rain

Deodorant
- Secret
- Mennen
- Ban

Facial astringent
- Mary Kay
- Clinique
- Sea Breeze

Facial moisturizer
- Olay
- Avon
- Ponds[1]
- Mary Kay

Hair color[2]
- Clairol/Loving Care
- L'Oréal/Preference
- Nice & Easy

Hair spray[2]
- Aqua Net
- White Rain
- Final Net

Hair spray[3]
- Aqua Net
- White Rain
- Final Net[1]
- Consort

Hand or body lotion
- Vasoline Intensive Care
- Jergens
- Avon

Men's cologne[3]
- Old Spice
- Polo
- Brut

Razor blades[3]
- Gillette
- Schick
- BIC

Razors[3]
- Gillette
- BIC
- Schick

Shaving Cream[3]
- Colgate
- Gillette
- Barbasol

Suntan lotion or sun block
- Coppertone
- Hawaiian Tropic
- Bain de Soleil

Continued on page 26

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1. Indicates tied with product that follows
2. Asked of women only
3. Asked of men only

Source: Leo J. Shapiro and Associates

HOT TAMALES
MIKE IKE
HOT TAMALES
MIKE IKE
JOLLY JOES
HOT TAMALES
MIKE IKE
JOLLY JOES
HOT TAMALES
MIKE IKE
JOLLY JOES

Look what we're building ... a better way to serve you!

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Just Born is growing three times faster than the industry average. To keep pace and meet your needs, plant capacity has recently been increased by 85%. Ordering and handling operations have been streamlined. And shipment methods have been tailored to give you expert, individual service on every order.

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Bethlehem, PA 18017 • 1-800-445-5787
Building on our tradition of quality!

Buyer brand loyalty strong

Continued from page 23

in many categories.

The survey found that 86 percent would buy a different brand battery if their preferred brand wasn't available — reflecting the high credibility earned by the major brands. High willingness to switch was also shown in toothpaste (77 percent), shaving cream (71 percent), and men's cologne (70 percent).

Contact solution loyalty

The category where consumers were least willing to switch was contact lens solution, with 44 percent. Consumers are loyal to the systems recommended by their doctors. Hair color (44 percent), and facial astringent (47 percent) also has fierce adherents.

The switching phenomenon can also be seen as being driven by the desire for convenience; consumers would rather buy than look elsewhere.

The switching phenomenon can also be seen as being driven by the desire for convenience; consumers would rather buy than look elsewhere. Promotional pricing on competing brands and stock outages add momentum to switching.

About one in three purchases was made at a promotional price, through all channels. Batteries were named most often as having been purchased at a sale price (46 percent). Kodak's entry into this market, as well as the proliferatiom of multipacks, has created promotional pricing. Hair spray (45 percent), and razors (44 percent) followed.

Suave	6.9%	8.4%	8.0%	4.5%	7.8%
Nexxus	3.8	4.7	4.0	3.9	2.5
White Rain	3.1	2.8	2.4	4.2	2.5

Old Spice	11.6%	17.3%	13.0%	5.3%	14.0%
Polo	6.9	7.7	3.7	11.8	2.0
Brut	6.0	1.9	5.6	13.2	NA
Obsession	3.4	1.9	5.6	2.6	4.0
Mennen	3.0	NA	7.4	2.6	2.0
Drakkar	3.0	1.9	3.7	2.6	4.0

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Loyal shutterbugs stick with a good thing in film market

Sell me my film brand or watch me walk, could be a popular refrain of loyal shutterbugs. An overwhelming 98 percent of film users say they prefer a specific brand—and just 59 percent, a low figure, will substitute if their favorite is unavailable.

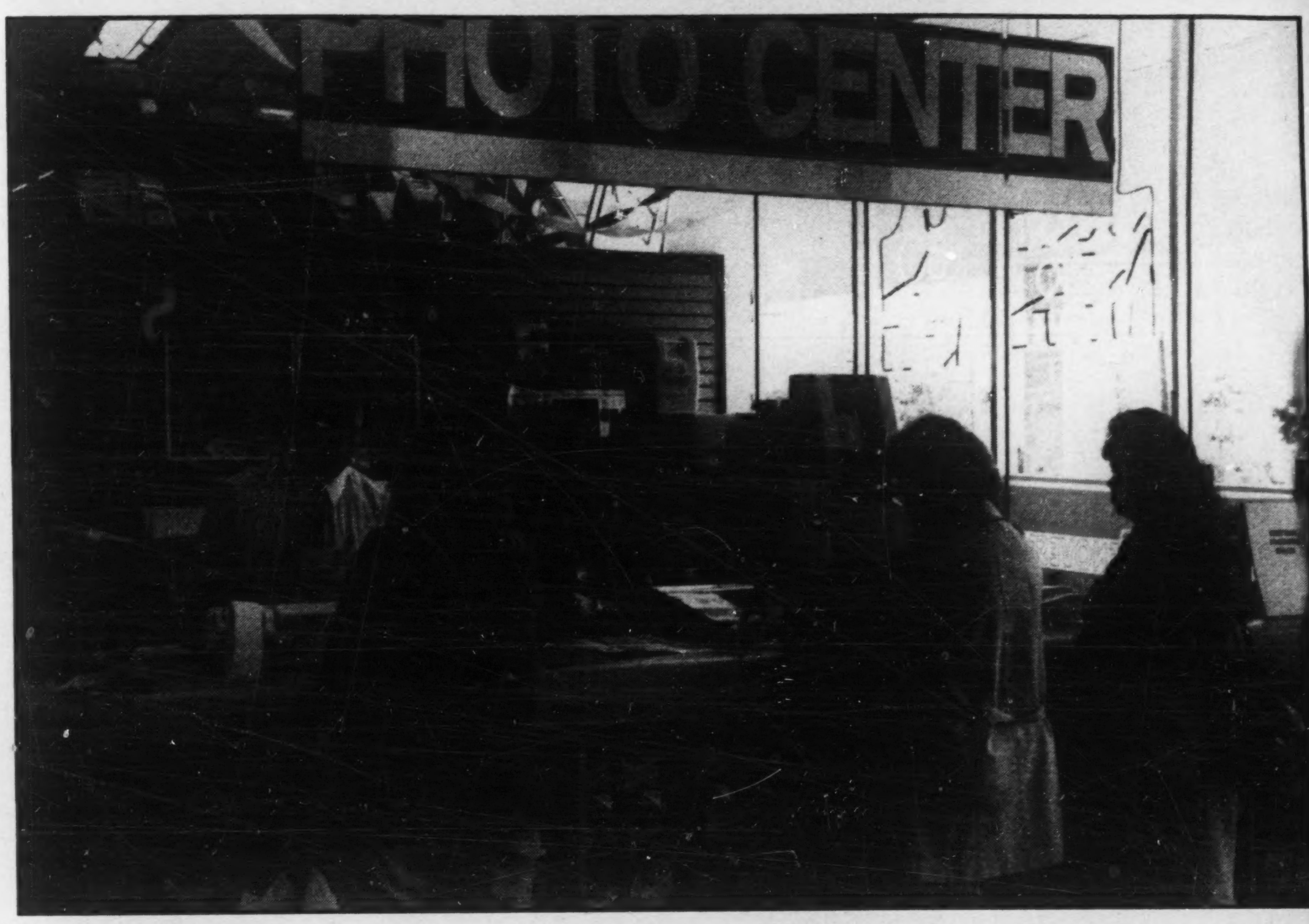
Among 28 categories tracked, just five others commanded similar loyalty. As amateur photographers grow increasingly sophisticated, they stick fiercely by the brands that have given good prior results.

Among film purchasers of the past 12 months, 81.1 percent said they bought Kodak, 5.8 percent Fuji, and 2.6 percent Polaroid. The magnitude of the response for Kodak and Fuji reflects the pickup in 35mm film use stimulated by quality, easy-to-use cameras.

Polaroid's actual share of unit purchases is higher than might be concluded from the survey response. Polaroid accounted for 11 percent of film unit sales in 1989, the Photo Marketing Association reported, compared with 67 percent for 35mm.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kodak	72.9%	74.0%	71.1%	71.6%	76.0%
Fuji	3.2	2.3	2.8	3.0	4.9
Polaroid	1.9	1.4	2.8	2.7	NA

[illegible]



Ninety-eight percent of film buyers say they prefer a specific brand.

Owning two cameras

The numerical difference is attributable to many picture-taking households owning both 35mm and Polaroid cameras, but using 35mm more. The instant camera may be used more for special occasions—though that could change this year, as the concept of a major Polaroid advertising campaign sets in. The campaign will demonstrate the versatility and usefulness of instant pictures.

Indeed, respondents who named a 35mm brand as the one last purchased may also be loyal to Polaroid instant film, or even Polaroid's 35mm One-Film, which Polaroid claims has over a 2 percent unit share.

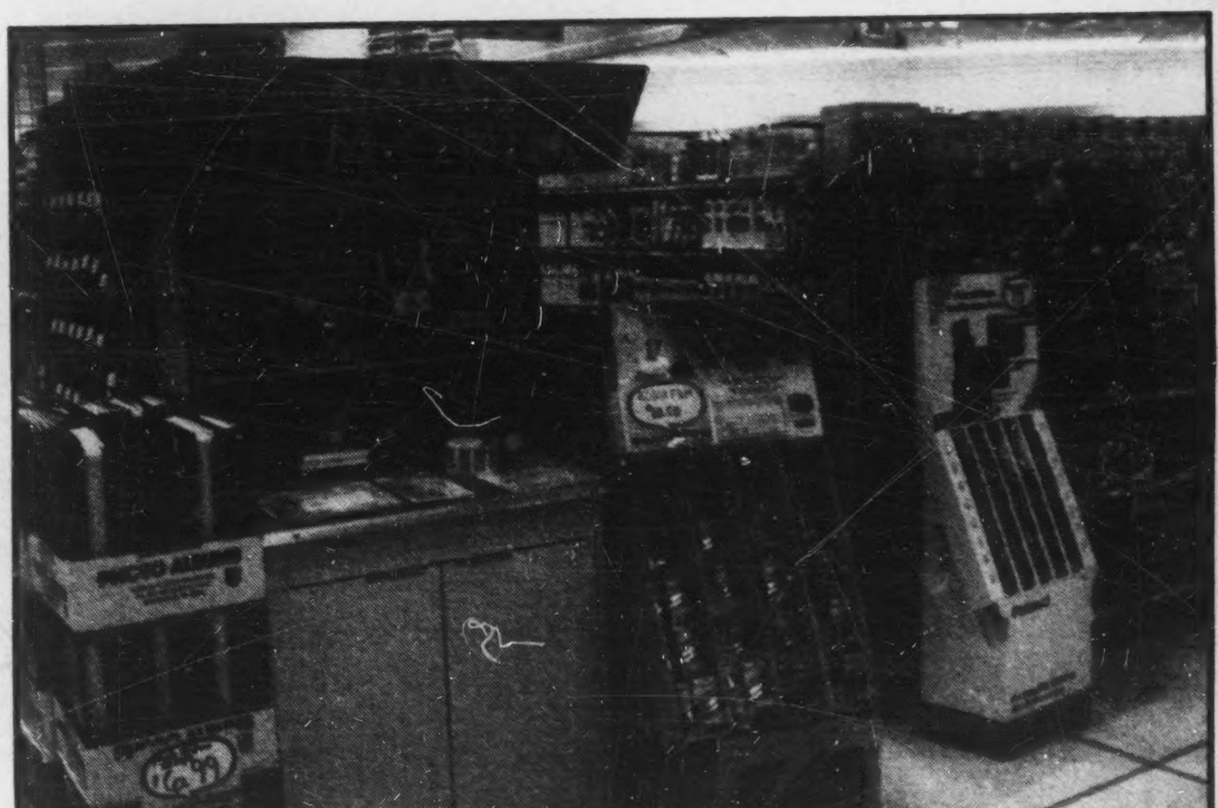
The results show Fuji has held onto market share, which it claims is over 10 percent. In such places as Southern California, its share approaches 25 percent. Since 1988, Fuji has achieved significant drug store distribution, including Phar-Mor, an exclusive for the brand, plus Drug Emporium and Longs.

The major brands stayed in the consumer focus in 1990. Kodak's promotion with Disney featured its first nationwide use of on-pack coupons, and its first national television campaign designed specifically for the promotion. Fuji, meanwhile, emphasized free-standing inserts with coupons.

Kodak's strongest growth has been in the food stores, reflecting in part its near 100 percent saturation of the drug and discount channels.

Discount stores captured the most sales due to the growth of outlets and cross merchandising opportunities. Of film buyers polled, 37.9 percent bought in discount, 32.3 percent in drug, and 20.7 percent in food stores.

An overwhelming 98 percent of film users say they prefer a specific brand—and just 59 percent, a low figure, will substitute if their favorite is unavailable.



Among 28 categories tracked, just five others commanded as much loyalty as film. As amateur photographers grow increasingly sophisticated, they stick fiercely by the brands that have given good prior results.

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Advertising helps make sun care category shine

Category buyers are always the first to remind manufacturers that if they want their products to move out the door, they must "advertise, advertise, advertise." In the case of sun care, the adage really holds true.

Coppertone is one of the most heavily advertised sun-care brands ever, and according to the latest *Drug Store News* Consumer Brands Preference Study, it is far and away the most popular brand in this segment.

Twenty-nine percent of all consumers who purchased sun care products in the past year bought a Coppertone brand.

Significantly too, in a category that is not particularly high on brand preference, two-thirds of all Coppertone purchases were made at full margin, when the brand was not on sale.

In contrast, closer to half of all purchases of hand and body lotions, razors, shaving creams and men's hair sprays were made on sale.

When retailers can identify the popularity of a brand like Coppertone, they can turn that popularity to their advantage, first by limiting the number of other brands they need to stock to round out their sun care set, thereby maximizing their inventory dollars; second, by generating a high sell-through at full margin, thereby maximizing gross profit dollars.

To a moderate degree, sun care continues to be a regionalized category with consumers in the different geographic regions showing somewhat different brand preferences.

For example, 8 percent of consumers living in the Western region named Bain de Soleil as their preferred brand compared to just 2 percent in the Midwest. Seven percent of those living in the Midwest named Hawaiian Tropic as their preferred brand compared to just 3 percent in the Northeast.

Unlike toothpaste, deodorants, and shampoos, however, sun care is not a high tonnage category, confined as it still is to seasonal demands.

Coppertone	14.1%	13.0%	15.7%	13.7%	13.7%
Hawaiian Tropic	2.8	2.8	2.8	3.6	1.5
Bain De Soleil	2.6	4.2	1.6	2.1	2.9

It is, however, more frequently in demand in neighborhoods that cater to younger consumers as well as to consumers with higher household incomes.

Eighty percent of all sun care purchasers are under 49 and 41 percent are under 35. Nearly 50 percent of all purchasers have household incomes over $40,000 and 41 percent have attended college.

So it makes sense for retailers to tailor their sun care planograms to their neighborhoods. And to advertise sun care most frequently in markets where there are younger consumers, who tend to be sun lovers, as well as in markets where there are educated consumers, who tend to be aware of the need for sun protection or at least to tanning with protection.

Sun care is more in demand in neighborhoods that cater to younger consumers as well as to those with higher incomes.

Price and pizzazz add kick to hosiery sales

Most drug chain hosiery departments have more kick today than ever before, thanks to streamlined fixtures that make a unified statement in this category, and broader assortments calculated to meet a variety of fashion, price and size needs.

The trend is toward giving hosiery increased space and ad support more in proportion to the direct profit contribution the department makes — which is considerably greater than that generated by, say, bar soap or shampoo.

Drug chains' hosiery ad activity generally corresponds to findings of this year's Consumer Brands Preference Study, which showed L'eggs to be the leading preferred brand, followed by No Nonsense and Hanes, in a virtual tie, and Just My Size. In September, for example, drug store retailers concentrated 1.5 percent of their advertising on the clothing category, according to the Ad Activity Report, and most of that was given to hosiery, especially to several L'eggs and No Nonsense lines. Private label pantyhose was also advertised relatively often.

Retailers aggressively promote and use special freestanding and interactive displays for hosiery and often position legwear near cosmetics, as they've found that women tend to expect hosiery to be near cosmetics. Buyers say pantyhose manufacturers such as L'eggs and No Nonsense cooperate with their chains in supporting basic brands with promotions and value-added packages. And line introductions, such as L'eggs' recent Classics entry, help stimulate category sales.

Drug store retailers concentrated 1.5 percent of their advertising on the clothing category, and most of that was given to hosiery.

Being in stock in this category is of utmost importance, but it's difficult to achieve, because of the variety of sizes, shades and styles. (The four major styles are premium sheer, light support, basic and color.) The difficulty of staying in stock, and the lukewarm brand loyalty in this category, have helped persuade retailers to broaden their hosiery assortments.

L'eggs Sheer Energy	33.3%	36.2%	31.8%	30.9%	36.4%
No-Nonsense	10.0	9.8	9.2	11.6	8.4
Hanes	9.9	12.3	6.2	10.0	11.7

Indeed, women are fairly fickle in this category: about two-thirds of respondents in this year's Brand Preference Study said they would buy another brand of pantyhose if their favorite was out of stock.

Moreover, pantyhose tied with non-aspirin pain relievers as categories with the strongest showing for private label as preferred brand. When asked what brand they would buy if buying pantyhose, 5.7 percent of women in the study named the private label/store brand. When asked what brand they actually bought last, the percentage was even higher — 7.6 percent. Interestingly, respondents in the Midwest and West were decidedly more inclined than women in the South and Northeast to mention private label as their preferred brand of pantyhose. Midwestern and Western women were also slightly more brand loyal than women in the other two regions.

While women don't appear to be highly brand loyal, the other side of the coin is that if they do try a different brand and that brand doesn't fit well or isn't long-wearing or in some other way fails to please them, that poor performance becomes apparent fairly quickly and is an effective negative reinforcement of that particular brand.

TRENDS Consumer Brands Preference Study: Lip, face, eye makeup; nail care

Lipstick is most popular cosmetic; face, eye colors also on must list

Of all the color cosmetic categories, which one is the most popular with women?

Did you say nail color? Good guess, but it's wrong. The color cosmetic that most women wear is lipstick. According to the latest *Drug Store News* Consumer Brands Preference Study done by Leo J. Shapiro and Associates, 75 percent of all women buy lipstick and 82 percent of all lipstick users have bought at least one in the past 12 months.

If lipstick is the most frequently purchased color cosmetic, Shapiro found that Revlon is the most popular retail lipstick brand. The only lipstick to score a popularity rating higher than Revlon's was Avon's Pure & Gentle Lipstick line, which is sold door-to-door.

However, Revlon was nearly neck and neck with Avon in popularity, and it was twice as popular as its nearest competitor, the department store lipstick line from Estée Lauder.

Maybelline, Clinique, Cover Girl and Mary Kay each had between a 6 percent and 7 percent popularity share among women who had actually purchased lipstick in the past 12 months. After that the shares became highly fragmented, ranging from a high of 2.5 percent for L'Oréal's lipsticks to a low of 0.4 percent for Almay, Ultima, and others.

Lipstick buyers are also willing to spend full price for their favorite brands. Only 29 percent of those who had bought a lipstick in the past year said they had got it on sale.

Face makeup is another frequently used category. Sixty-five percent of all women use a face makeup, according to Shapiro, and 83 percent of all users have bought at least one in the past year.

Their favorite brand, by far, is Cover Girl, the choice of 17 percent of all those who had bought a makeup in the past year.

Mary Kay had second place with 10 percent, and Maybelline, Clinique and Avon were in a close tie for third place. Estée Lauder and Revlon were the next two most popular choices, and then brand loyalties became fragmented.

Women showed even more willingness to buy face makeups at full price. Only 20 percent said they picked up their face makeup on sale, a sign that retailers don't have to discount face makeups to generate sales. Women know which brand they want and they will buy it when they need it, sale or not.

Eye color products are used by about two out of three women, and of these, 78 percent have bought an eye care product in the past year.

The most popular brand? You guessed it. Maybelline.

Two out of every 10 women users named Maybelline as the color product they last bought. Another 13 percent named Cover Girl; 9 percent, Avon; 8 percent, Revlon and Mary Kay; 6 percent, Clinique and 5 percent, Estée Lauder.

Avon/Pure & Gentle	12.3%	14.1%	14.9%	11.6%	8.4%
Revlon	11.2	12.9	8.2	12.7	10.4
Estée Lauder	6.1	6.1	7.2	5.0	6.5
Maybelline	5.2	5.5	5.1	5.0	5.2
Cover Girl	5.1	1.2	5.6	6.2	6.5
Clinique	4.7	4.9	3.6	4.6	5.8
Mary Kay	4.3	3.7	4.1	4.2	5.2

Note: Asked of women only

Source: Leo J. Shapiro and Associates

Cover Girl	10.9%	9.8%	8.7%	11.6%	13.6%
Mary Kay	6.4	4.3	8.2	6.6	5.8
Maybelline	6.1	7.4	2.1	5.8	10.4
Clinique	5.2	5.5	3.6	6.2	5.2
Avon/Pure & Gentle	4.9	6.7	5.6	5.4	1.3
Estée Lauder	4.4	6.1	4.1	3.1	5.2
Revlon	4.3	3.7	3.6	5.4	3.9
Max Factor	3.0	3.1	3.6	2.7	2.6

Maybelline	15.6%	16.0%	10.3%	14.3%	24.0%
Cover Girl	8.2	2.5	11.8	8.5	9.1
Avon/Pure & Gentle	6.2	8.6	6.7	6.2	3.2
Revlon	5.2	6.7	3.1	6.2	4.5
Mary Kay	4.8	3.1	7.2	4.2	4.5
Estée Lauder	3.6	4.9	3.6	3.1	3.2
Clinique	3.6	3.7	3.6	3.9	3.2

Nail polish searching for niche in 'natural '90s'

Cosmetics is notorious for being a high-SKU, slow-turn category, and one culprit, apparently, is nail polish.

According to the latest *Drug Store News* Consumer Brands Preference Study conducted by Leo J. Shapiro and Associates, just 44 percent of American women have purchased a nail product in the past year.

Polish has not found it as easy as lipstick to move into the new fashion generation of "natural looking color." It still has a hint of glamour to it, a touch of artifice, and although that will always endear it to fashion-conscious women, the tomboys, the nature lovers, and maybe even the time harried female executive will still consider the category discretionary rather than a necessity.

Nevertheless, no retailer in their right mind would risk offending the 44 percent of his/her customers who want and love nail polish.

What makes the most sense is to fine-tune inventories so only the most popular brands are carried, and in this category, popular means Revlon, Cover Girl, L'Oréal, Maybelline, Cutex, Wet & Wild and Sally Hansen.

These seven brands accounted for all but one position in Shapiro's ranking of the top eight most popular nail color brands.

Second place in that ranking went to Avon's nail color products, a line sold primarily door-to-door.

Harmless mistake

Unlike eye and face products, where women can hurt their eyes or skin if they make a mistake, nail color is relatively harmless. The worse thing a women risks if she makes a mistake is hating the color which she can change in five minutes.

That's probably why women are much more likely to buy a nail product when it's on sale than they are to buy an eye color or face makeup product. Three out of 10 nail color users said they made their last purchase when it was on sale.

COVER GIRL
COVERGIRL
Clarion
Wet

So for retailers trying to build traffic in cosmetics, this category is a good place to start. One way might be to promote a Nail Color Savings Galore event. Try putting all the top lines on sale for a week and see what that does to traffic. Meanwhile, face makeups, lipsticks, eye makeups, and facial moisturizers can be kept on the counter at full price. The consumers pulled in by the nail ad may be tempted to color coordinate some of their purchases with companion shades in the lines they bought.

A good event could make cosmetic inventory turnover problems a thing of the past, especially for stores that have service cosmeticians on hand to make product recommendation.

Women look for bargains when buying nail color; three out of 10 said their last purchase was when it was on sale.

Revlon	10.8%	7.4%	12.3%	8.5%	16.2%
Avon/Pure & Gentle	8.2	10.4	7.7	8.5	5.8
Cover Girl	6.1	3.1	5.1	8.9	5.8
L'Oréal	4.0	4.9	4.1	3.5	3.9
Maybelline	3.6	3.1	5.1	3.1	3.2

Brand loyalty fluctuates between hair care categories

In the hair care category, the brand loyalty picture is one of contrasts. Although about 90 percent of respondents who use shampoos, conditioners or hair sprays said they had a preferred brand, at least 70 percent for each segment said they would switch if their brand was out of stock. In contrast, hair color users showed much stronger loyalty: 96 percent said they had a brand preference, and only 44 percent said they'd switch if it was out of stock.

Hair color users also contrasted with consumers of other hair care products on the price factor. The study shows that shampoos, conditioners and hair sprays are more likely to be bought on sale than most other drug store-type merchandise, whether purchased in a drug store, food store or discount department store: 41 percent of shampoo, 39 percent of conditioner, and 37 percent of hair spray purchases were at a sale price. Consumers are much less likely to buy hair color on sale (28 percent).

In comparison, batteries — the items most commonly bought at a promotional price — were bought on sale by 46 percent of respondents.

Consumer Preferences: Women's Hair Color

	Total	North-east	Mid-west	South	West
Clairol/Loving Care	8.9%	9.8%	8.7%	9.3%	7.8%
L'Oréal/Preference	6.5	5.5	4.6	8.5	6.5
Nice & Easy	3.1	4.9	3.6	2.3	1.9

Note: Asked of women only

Source: Leo J. Shapiro and Associates

Consumer Preferences: Shampoo

	Total	North-east	Mid-west	South	West
Suave	9.0%	9.8%	8.8%	9.3%	7.8%
Head & Shoulders	8.7	7.9	11.2	7.5	8.3
Pert/Pert Plus	5.8	5.6	5.2	5.4	7.4
Prell	4.6	6.0	4.8	5.1	2.0
Nexxus	3.4	4.2	4.0	3.9	1.0
White Rain	3.4	2.8	2.8	4.5	2.9

Source: Leo J. Shapiro and Associates

In the highly-competitive shampoo and conditioner category it is crucial that drug stores offer competitive pricing and the broadest assortment of mass and professional brands.

Except for hair color users, women like to switch around in the hair care category in order to give their hair a "rest" from one formula or because they want to try a product they've seen advertised, in hopes it will deliver what the ads promise. The array they have to choose from is huge, and the fragmented brand loyalty to a shampoo, conditioner or spray is evident in the relatively low percentages for the top five preferred brands in these segments.

Advertising campaigns

Manufacturers' advertising campaigns play a pivotal role in pre-selling consumers on hair care products, and new products boost the category. For example, all-in-one shampoo-/conditioners, such as P&G's Pert Plus, are opening up what appears to be a new segment, with the launches of Vidal Sassoon's Ultra Care and Revlon's Flex & Go expected to create added excitement.

In this kind of highly competitive category, being in stock and pricing competitively are crucial for drug store operators; so is offering the broadest possible assortment of mass and professional brands.

But the sheer breadth of selection in shampoos, conditioners and sprays poses another challenge drug store retailers are trying to meet: how to simplify hair-care shopping for their customers, the majority of whom are busy, working women. That's where each retail operator can make a difference. They weigh planogramming by family or by category, or a combination of the two approaches. They use colorful point-of-purchase displays and special fixtures, call attention to new products with ceiling signage and offer free samples. And they constantly advertise and promote this category, sometimes devoting full-page ads to new products and including hair-care advice in circulars and other vehicles.

Consumer Preferences: Women's Hair Spray

	Total	North-east	Mid-west	South	West
Aqua Net	7.5%	9.8%	6.2%	5.0%	11.0%
White Rain	6.5	3.1	7.7	8.9	4.5
Final Net	4.8	5.5	4.1	5.4	3.9
Breck	3.0	3.7	2.1	3.1	3.2
Paul Mitchell	3.0	3.7	1.5	3.5	3.2

Note: Asked of women only

Source: Leo J. Shapiro and Associates

Fragrance users welcome variety, creative sales pitches

Women are eclectic in their choice of fragrances. Unlike sun care or facial moisturizer, where only one or two brands dominate, fragrance is a highly fragmented category, indicating that women are willing to buy more than one brand of fragrance and that they will try new fragrances as they come to market.

In the Second Annual Consumer Brands Preference Study, no fragrance commanded more than a 9 percent preference among all women respondents.

But in considering women who actually purchased a fragrance during the past 12 months, Avon — an accessible fragrance sold by helpful door-to-door salespersons — had the highest brand preference share at 12 percent.

Estée Lauder, a popular department store line, was second with 9 percent. After that share preference breaks into 3 percent shares and less.

Cosmair's Vanderbilt was the most popular mass fragrance with a preference share of 2.8 percent. It ranked fourth on a list that included Poison as well as Estée Lauder and Avon.

Prince Matchabelli's Wind Song, Revlon's Charlie, Coty's Emeraude, Lady Stetson, and Sand & Sable were the only other class mass fragrances to make it into the top 20 preferred brands.

All the fragrances on the list were heavily advertised brands, indicating that women are responsive to creative sales pitches, and that once again, good advertising contributes substantially to a product's success in competitive categories.

As a category, fragrance is in the moderate consumption range. Fifty-nine percent of all consumers, men and women, had made a purchase of either a woman's or a man's fragrance in the past 12 months, according to the survey done by Leo J. Shapiro and Associates.

That compares, on one end of the usage spectrum, to some 96 percent who had made a toothpaste purchase in the past 12 months, and on the other end to the 15 percent of consumers who had made a contact lens solution purchase.

Another good thing about fragrance purchasers is they aren't inclined to wait until a fragrance goes on sale before buying. Seventy-one percent of all fragrances are bought when they are not on sale.

However, drug stores and other mass market outlets aren't taking as much advantage of this trend as they could. The class mass lines, including Vanderbilt, Charlie and Lady Stetson, were purchased much more frequently when on sale. as opposed to ninety percent of all Estée Lauder purchases which were made at the regular price and this was true for most of the department store lines.

This could indicate that if drug stores were to "dress up" their fashion counters more or provide more service, like department stores, they could generate more full margin fragrance purchases, and that could significantly enhance the bottom line profitability of mass market fragrance.

Consumer Preferences: Women's Cologne

	Total	North-east	Mid-west	South	West
Avon	9.2%	7.4%	10.8%	10.0%	7.8%
Estée Lauder	7.4	4.9	8.2	7.7	8.4
Chanel	3.0	2.5	3.6	2.3	3.9

Note: Asked of women only

Source: Leo J. Shapiro and Associates

Skin care category boosted by hand and body lotions

Skin care products, particularly hand and body lotions, are rapidly approaching the status of a commodity category.

According to the latest *Drug Store News* Brands Preference Study conducted by Leo J. Shapiro & Associates, 71 percent of all consumers, men as well as women, have purchased a hand or body lotion product within the past year.

That's approximately the same number of consumers who buy mouthwashes or film. More people buy hand and body lotions than conditioners or cough and cold medicine.

Hand and body lotion users are also strongly brand-conscious. Of the 28 categories measured, hand and body lotions came in seventh in the brand preference ranking.

In addition, 88 percent of all people who use hand and body products purchased one in the last year, indicating that hand and body lotions are also a relatively high usage category, in the same class as batteries and film and almost as high as toothpaste, deodorants and shampoos.

As one would expect from a commodity category, the most popular brands are price value lines like Vaseline Intensive Care Lotion and Jergens, the two most frequently mentioned brands.

But even though consumers have preferred brands in this category, they are not adverse to switching if the store is out of stock or if another brand is on sale, so this is a category that can draw traffic when advertised at competitively low prices.

Facial moisturizers, on the other hand, are not as widely used as hand and body lotions, quite probably because they still haven't been able to attract a broad base of male users.

However, more people use facial moisturizers than hair spray or sun care products. Fifty-five percent of all consumers in the survey use facial moisturizers and 86 percent of all users bought one in the past year.

Oil of Olay was the runaway favorite in the category, bought by 18 percent of all purchasers in the past year.

No other brand was as dominant as Olay, but 10 percent of all of the past year's purchasers named Avon. Another 7.3 percent said Mary Kay; and roughly 5 percent each singled out Ponds, Clinique and Estée Lauder.

Astringents and toning products are the least developed skin care category tracked by Shapiro. Only 28 percent of all respondents said they used astringent products. However, consumers who purchase astringents seem to be regular uses. Eighty-two percent of the astringent users said they had made at least one purchase in the past year.

There seemed to be two types of consumers interested in astringents. Two of the most popular brands were Sea Breeze and Noxzema, products that attract teens and younger women trying to combat oily skin.

The other popular brands were department and door-to-door lines like Clinique and Mary Kay and Avon, products designed to appeal to older or more fashion-sophisticated women concerned about keeping their skin supple and invigorated.

This suggests an opportunity for drug stores to build traffic among these target groups by advertising the teen brands and the more sophisticated mass astringents like Plenitude, Almay, Moondrops and Clarion together, as well as in combination with ads for facial moisturizers and body lotions.

Consumer Preferences: Hand or Body Lotions

	Total	Northeast	Midwest	South	West
Vaseline Intensive Care	19.1%	19.1%	21.3%	20.0%	15.2%
Jergens	15.5	9.8	14.5	19.4	16.2
Avon	5.7	7.9	7.2	4.5	3.4
Johnson & Johnson Baby Magic	3.1	3.7	1.6	3.9	2.9

Source: Leo J. Shapiro and Associates

Consumer Preferences: Facial Astringents

	Total	Northeast	Midwest	South	West
Mary Kay	3.5%	3.7%	4.0%	3.0%	3.4%
Clinique	3.3	5.1	2.4	2.4	3.9
Sea Breeze	2.3	1.4	2.4	3.6	1.0

Source: Leo J. Shapiro and Associates

Consumer Preferences: Facial Moisturizers

	Total	Northeast	Midwest	South	West
Oil of Olay/ Night of Olay	9.8%	8.8%	7.2%	10.4%	12.7%
Avon	4.6	7.4	4.0	4.5	2.5
Ponds	3.7	3.7	1.2	5.1	4.4
Mary Kay	3.7	3.3	4.0	3.3	4.4
Clinique	3.2	5.1	3.2	2.4	2.5

Source: Leo J. Shapiro and Associates

Grooming interest sharpens men's shaving category

As we get deeper into the 90s, the decade of health and fitness, more and more men are showing a strong interest in personal grooming.

The majority of men today shave, and they tend to prefer soothing shaving products like razors that "glide" across the skin and creams and gels that soothe the skin.

But most men also use colognes, especially those marketed to men who want to feel good about themselves and enhance their appeal to women, and some use hair sprays to court a more polished look.

According to the latest *Drug Store News* Consumer Brands Preference Study conducted by Leo J. Shapiro and Associates, 55 percent of all men have bought a cologne within the past year. But unlike women, they seem to eschew trying a broad assortment of brands in favor of putting their loyalties behind a small stable of what seems to be perennial favorites like Old Spice, Polo and Brut.

There were eight brands in the survey that together commanded a 49 percent share of brand preference among men who had actually purchased a fragrance during the past 12 months.

None of the other brands mentioned had more than a 1 percent share of brand preference, indicating that when men find what they want in a cologne, they stay faithful to that brand.

Old Spice was the most popular cologne, singled out by 13.4 percent of the respondents who had purchased a fragrance during the past year. Three of the most popular brands were department store lines — Polo, Obsession and Drakkar Noir, indicating that men will spend money for a fragrance that's both popularly positioned and appealing to them.

Almost a quarter of the men in the survey, 23 percent, also used hair spray within the past year. But in this category, brand loyalties were more fragmented and men were using products targeted primarily at women, such as Final Net and Salon Selectives, as well as products targeted specifically to them such as Consort.

Most men, 67 percent, use shaving creams. But partly because of advertising and partly because the skin on a man's face is so sensitive, there was a strong tendency for men to be brand loyal.

Among men who had made a shaving cream purchase in the past 12 months, Gillette and Colgate were neck and neck in brand preference with a 19.7 percent and 19 percent share, respectively.

Barbasol was a close third with a 17.5 percent, followed by Edge with 16 percent.

With the exception of Noxzema, which had an 8 percent share, everything else in the category was fairly fragmented. It's clear that retailers don't need a lot of variety in the men's shaving section to make their customers happy.

Razor blades is also a high usage category with 85 percent of all men who use razors reporting they had purchased blades in the past year. Here Gillette was truly king, commanding a 46 percent brand preference among men who had purchased blades during the past year.

Schick, with a 14.5 percent share, and Bic, with a 10 percent, were in the number two and three slots.

Consumer Preferences: Shaving Cream

	Total	Northeast	Midwest	South	West
Colgate	13.8%	17.3%	18.5%	14.5%	4.0%
Gillette	12.1	11.5	7.4	10.5	20.0
Barbasol	11.6	21.2	3.7	14.5	6.0
Edge	11.2	15.4	5.6	13.2	10.0
Noxzema	6.0	3.8	5.6	10.5	2.0

Source: Leo J. Shapiro and Associates

[illegible]

	Total	Northeast	Midwest	South	West
Gillette	32.3%	36.5%	18.5%	36.8%	36.0%
BIC	13.4	13.5	22.2	11.8	6.0
Schick	10.8	9.6	22.2	7.9	4.0

Source: Leo J. Shapiro and Associates

[illegible]

	Total	Northeast	Midwest	South	West
Gillette	27.2%	28.8%	13.0%	34.2%	30.0%
Schick	9.1	7.7	18.5	5.3	6.0
BIC	4.3	3.8	1.9	7.9	2.0
Atra	3.4	NA	3.7	5.3	4.0

Source: Leo J. Shapiro and Associates

Confidence in batteries overshadows brand loyalty

Call it the power of confidence. Battery brands have established such strong credibility that of all categories surveyed, this is the one where consumers are most likely to switch if their preferred brand isn't available. That says a lot for a product which consumers expect to deliver long-lasting performance.

If a first choice is out of stock, 86 percent said they would buy another.

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Duracell	31.6%	38.6%	28.5%	29.0%	32.4%
Eveready	24.0	20.5	24.1	21.8	31.4
Energizer	14.1	16.7	12.9	15.2	10.8

The propensity to switch also reflects what some drug chain merchants call the commodity nature of batteries.

While Ralston-Purina's high profile TV ad employing the drum-thumping bunny kept batteries in the consumer eye, it raised category awareness more effectively than it raised its own brand share.

Besides the high score on the switching question, batteries, of all the 28 categories surveyed, posted the most extreme scores on two other questions:

Batteries are bought most often in discount stores, 42.6 percent of the time, followed by food, 25.7 percent, and drug, 21.7 percent. Discount stores are taking advantage of impulse displays near hard goods departments, such as sporting goods, electronics and records.

And batteries are the category bought most often at a promotional price, 46 percent.

This finding reflects the intensive promotional activity by Ralston-Purina, Duracell, Ray O Vac and Kodak. Besides rampant couponing, increased multipack merchandising has led to more promotional sales.

When asked their last brand purchased, responses for the top three brands were virtually identical to those of last year's survey, which was performed by another firm. Duracell was named by 34 percent, Eveready by 27.5 percent, and Energizer by 15.7 percent. Ray O Vac posted 3.2 percent and Kodak 2.6 percent.

Ralston has maintained recently that Energizer is virtually neck-and-neck, if not ahead of, Duracell in market share. The company also maintains that the Energizer far outsells the Eveready brand. As Ralston's brand for zinc-carbon batteries, Eveready has been affected by the decline of zinc-carbon market share, which was 24 percent of battery unit volume sales in 1990.

The current survey's relatively low results for Energizer and high results for Eveready in light of Ralston's claims can be explained by the fact that "when people name Eveready often times they mean Energizer," a Ralston spokesman said.

Ray O Vac and Kodak's staying power is noteworthy. Strong in discount, Ray O Vac continues to press for more distribution in drug and food channels.

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1990 Nielsen Annual Review of Retail Drug Store Trends

Consumer Price Index

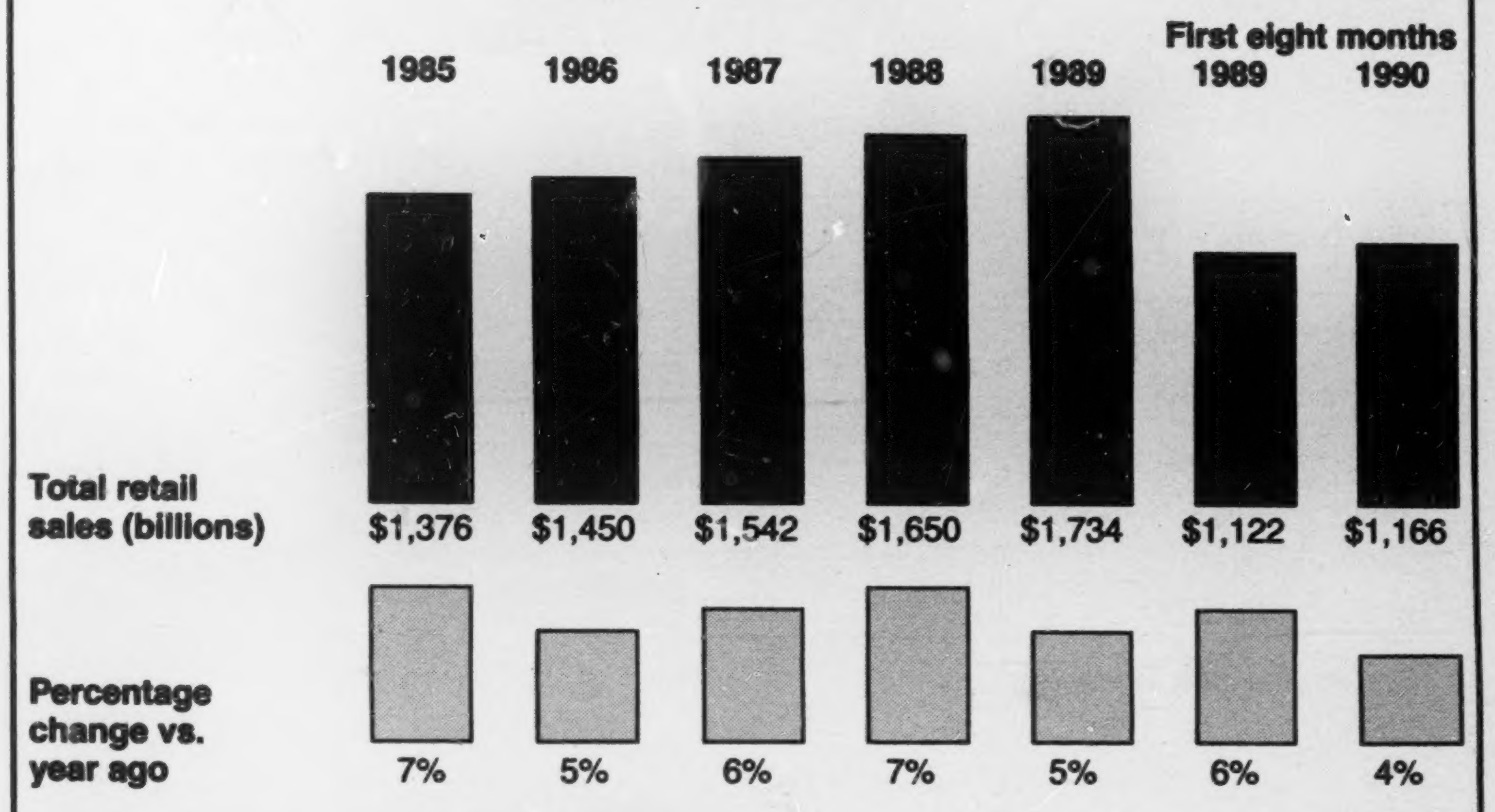
(Years ending Dec. 31)

	1985	Years 1988	1989	Percentage change vs. year ago	First eight months '90	Percentage change vs. first eight months '89
Food-at-home	104	117	124	6%	132	7%
Food-away-from-home	108	122	127	4	133	5
Medical care	114	139	149	7	160	9
Prescription drugs	120	152	165	9	179	10
OTC drugs	112	131	139	6	144	5
Physicians services	113	140	150	7	159	7
Dental services	114	138	146	6	154	7
Hospital room	115	143	158	10	173	12
Personal care	108	119	125	5	130	4
Housing	108	118	123	4	128	4
Fuel oil & other utilities	107	104	108	4	111	3
Apparel & upkeep	105	115	119	3	123	4
Transportation	106	109	114	5	118	4
Entertainment	108	120	127	6	131	5
Total all items	108	118	124	5	129	5

Annual average, all urban consumers; base (1982) equals 100
Source: Bureau of Labor Statistics

Retail Sales Trends

(Years ending December 31)



Source: U.S. Bureau of the Census (revised 1990)

Division of U.S. Retail Sales

(Years ending December 31)

	1986	1987	1988	1989	First eight months 1990	Dollar sales percent change '90 vs. '89
Drug and proprietary	3.5%	3.5%	3.5%	3.5%	3.6%	8%
Food stores	20.5	20.1	19.8	20.1	20.8	6
Auto dealers	22.5	22.2	22.5	21.8	22.2	(1)
General merchandise stores	11.7	11.8	11.6	11.7	10.6	5
Eating and drinking	9.6	10.0	10.0	10.0	10.4	5
Gasoline stations	7.0	6.8	6.5	6.7	7.0	6
Hardware and lumber	5.3	5.4	5.5	5.4	5.4	1
Clothing	5.2	5.1	5.1	5.3	4.9	5
Furniture and appliances	5.2	5.1	5.2	5.2	5.1	3
All others	9.5	10.0	10.3	10.3	10.1	7
Total	100.0	100.0	100.0	100.0	100.0	

Source: U.S. Department of Commerce, Bureau of the Census

The effects of consumer concern over the economy are starting to have an impact on retail establishments, but so far drug stores are managing to outperform the U.S. retail market, according to the 1990 Nielsen Annual Review of Retail Drug Store Trends.

This adds support to the theory that drug stores may indeed be recession-resistant.

For the first eight months of 1990, total U.S. retail sales were up 4 percent to $1.2 trillion. But retail drug stores managed to overcome the effects of a sluggish economy, with sales jumping 7 percent to $44.2 billion.

It was the industry's strongest growth since 1983, when sales for retail drug stores were up 11.4 percent. Over the past 10 years, there were only three years in which drug store sales growth did not outpace that of the total retail industry.

Chains setting pace

As has been the case for some time now, chain drug stores easily outdistanced independents. For the first eight months of 1990, total chain drug store sales rose 9 percent, compared to 5 percent for all independents.

High-volume independents (stores doing at least $500,000) did much better than their lower-volume counterparts and even exceeded chain drug stores in dollar growth.

Sales for larger-volume independents were up 10 percent to almost $12 billion for the first eight months of this year. Sales for medium-volume independents, on the other hand, were down 6 percent to $3.4 billion while sales for lower-volume independents (annual sales of less than $250,000 a year) were down 10 percent to $1 billion.

H&BA struggles to grow

Even though the drug store industry performed well in a weakened economy, the gains did not come from the traditionally strong health and beauty aids and remedial product categories.

H&BA products account for the second-largest portion of drug store sales after pharmacy, averaging between 15 percent and 20 percent of most chain drug store sales.

For the past few years, however, both chain drug stores and independents have had to struggle to grow these categories, dealing as they are with departments that are close to maturity in their stores, as well as with aggressive competition from other mass-market competitors, in-

Continued on page 60

Real Disposable Income Trends

	Year 1986	1987	1988	1989	**First six months 1989	1990
Disposable income-actual dollars (billions)	$3,013.3	$3,194.7	$3,479.2	$3,725.5	$3,697.3	$3,925.7
Percentage change vs. year ago						
Consumer price index deflator*	110	114	118	124	123	129
Percentage change vs. year ago						
Real disposable income-constant dollars (billions)	$2,635.3	$2,670.7	$2,800.5	$2,869.0	$2,854.9	$2,902.8
Percentage change vs. year ago						

*Base year 1982–1984 = 100
**First six months on an annualized basis

Source: U.S. Department of Commerce

NIELSEN REPORT:

H&BA SALES TRENDS

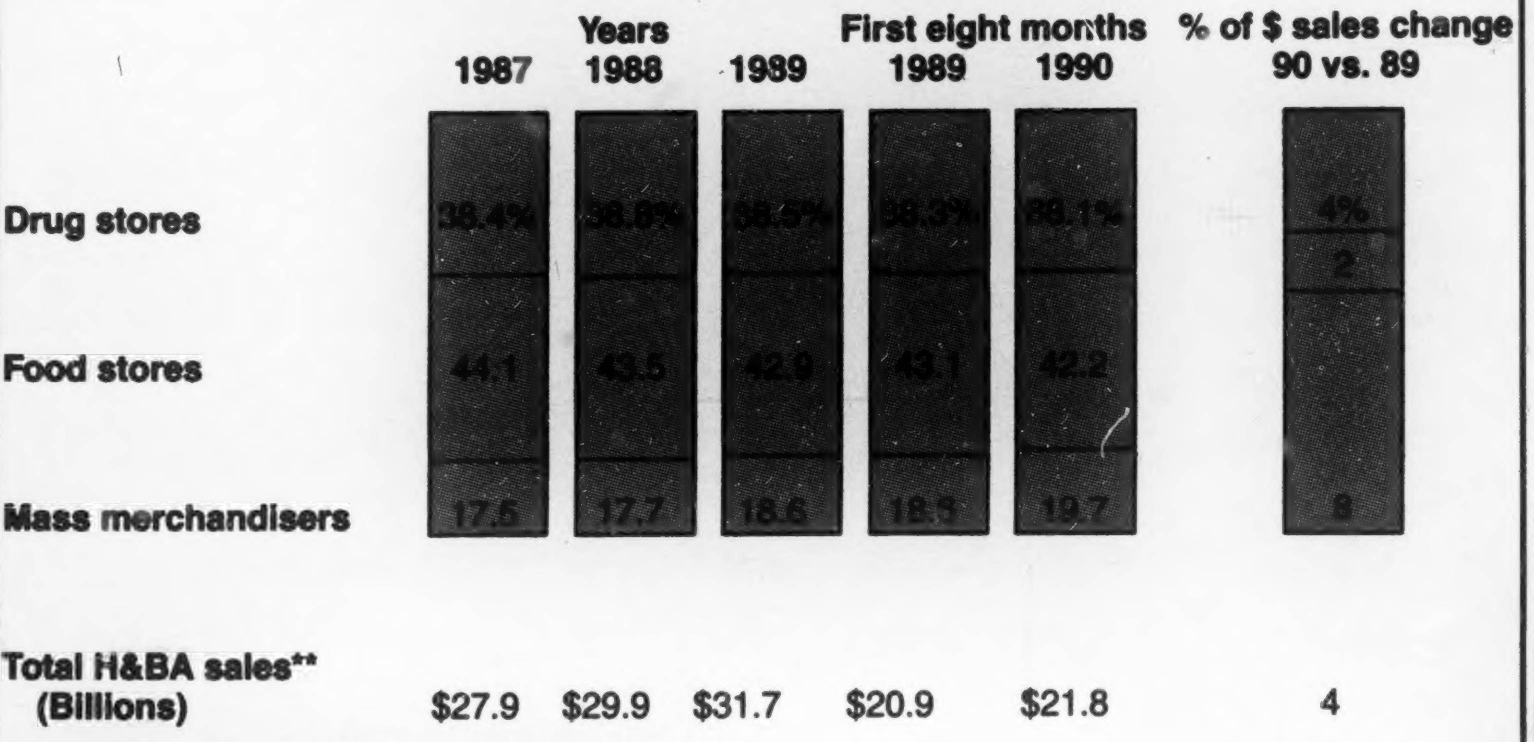
Retail Drug Store Sales

	Dollar sales (millions)	Percentage change	Share of sales
All drug stores			
1985	$47.0	9%	100%
1989	$62.9	9%	100%
1st 8 months 1990	$44.2	7%	100%
Chain drug stores			
1985	$28.2	11%	60%
1989	$39.9	11%	63%
1st 8 months 1990	$28.2	9%	64%
High-volume independents			
1985	$9.9	6%	21%
1989	$16.0	10%	26%
1st 8 months 1990	$11.6	10%	26%
Small- medium-volume independents			
1985	$8.9	(1%)	19%
1989	$7.0	(5%)	11%
1st 8 months 1990	$4.4	(7%)	10%

Source: Nielsen Marketing Research

H&BA Dollar Sales Share Trends

(Drug vs. food vs. mass merchandisers*)



*Based on the 66 categories in Nielsen's H&BA Index
**Sales through three mass market outlets
Source: Nielsen Marketing Research

Division of Retail Drug Store Sales by Nielsen Retail Marketing Area

Region	1989 drug store sales (billions)*	% change vs. year ago	1989 share of U.S. sales	Point change vs. year ago	1989 number of households (millions)	Index of drug store sales per household US = 100
New England	$3.7	12%	5.9%	0.2	4.8	113
Metro New York	$3.4	11%	5.4%	0.0	6.0	83
Albany/Buffalo/Syracuse	$2.0	13%	3.1%	0.2	2.6	108
Philadelphia	$2.5	5%	4.0%	(0.2)	3.9	95
Baltimore/Washington	$2.3	9%	3.7%	0.1	3.1	107
Pittsburgh	$1.4	2%	2.3%	(0.1)	2.4	87
Cleveland	$1.7	15%	2.7%	0.1	2.5	98
Detroit/Grand Rapids	$2.6	12%	4.2%	0.1	3.6	107
Indianapolis/Cincinnati/Lexington	$3.0	4%	4.7%	(0.3)	4.1	106
Metro Chicago	$2.4	7%	3.8%	0.0	2.9	120
St. Louis/Peoria	$1.3	9%	2.0%	(0.1)	2.2	85
Kansas City/Omaha/Iowa	$2.0	11%	3.1%	0.0	3.8	76
Minneapolis/Wisconsin	$2.2	5%	3.5%	(0.1)	4.0	80
Denver/Mountains	$1.0	4%	1.7%	0.0	2.1	73
Virginia/Carolinas	$3.2	8%	5.0%	0.0	4.8	96
Florida/South Georgia	$4.3	20%	6.9%	0.7	5.5	115
Georgia/Alabama	$3.3	5%	5.2%	(0.2)	5.5	87
Delta	$2.7	8%	4.2%	(0.1)	4.1	95
Albuquerque/San Antonio/Oklahoma	$1.8	12%	2.9%	0.1	3.8	71
Dallas/Houston	$2.4	4%	3.7%	(0.3)	4.1	84
Southern Calif.	$5.4	8%	8.7%	0.2	6.6	120
Boise/Salt Lake/Phoenix	$1.5	6%	2.4%	(0.2)	2.2	104
Northern Calif.	$4.7	5%	7.5%	(0.3)	4.3	158
Seattle/Portland	$2.1	7%	3.4%	(0.1)	3.0	104
Total U.S.	$62.9	9%	100.0%		91.9	$685

*Year ending Dec. 31
Source: Nielsen Marketing Research, Marketing Statistics

Continued from page 59

cluding combination food-drug stores, deep discount drug stores and mass merchandise-discount department stores like Kmart and Wal-Mart.

And so far, 1990, like last year and the year before that, has not been a great year for drug store H&BA departments.

Dollar and unit sales trends

For the first eight months of 1990, drug stores continued to struggle to sustain growth in almost all the H&BA categories tracked by Nielsen.

Drug store dollar sales for the 66 select H&BA categories tracked were up 4 percent this year, compared to a 5-percent increase for drug stores during the same eight-month period last year.

On the other hand, H&BA dollar sales for mass merchandisers, although they were not up as dramatically as they were last year (when they rose 15 percent), still showed strong overall growth, up 8 percent for the first eight months.

Much of the mass merchandiser growth too was "real" — not attributable to price increases. These discount outlets only took a 3-percent price hike for the first eight months of 1990, and their unit sales, which factors out the presence of inflation, were up 6 percent over the same period last year.

In comparison, unit sales in drug stores for the same 66 H&BA categories were flat, not even as strong as last year when they picked up by 2 percent versus the prior period.

Drug stores and food stores also took a 4-percent price hike on H&BAs, which also gave mass merchandisers, traditionally much lower on everyday prices, another competitive advantage.

Food stores, even though they offer the convenience of one stop shopping, did not generate any real growth in H&BA sales for the first eight months. Their H&BA unit sales were down by 2 percent and dollar sales were only up 2 percent.

H&BA share sales

The food store industry's share of

Continued on page 62

NIELSEN REPORT:

H&BA SALES TRENDS

H&BA Dollar Sales and Share Trends

(Drug chains vs. food chains vs. mass merchandisers)

H&BA Categories	1988* Drug	1989* Drug	1990* Drug	1990* Food	1990 Mass
Early pregnancy test	70.2%	66.8%	64.2%	22.3%	13.5%
Color cosmetics	61.7	60.4	60.6	19.3	20.1
Ethnic hair preps	56.1	58.2	58.6	20.4	21.0
Aftershave lotion/cologne	63.4	60.1	58.4	17.8	23.8
Face creams and lotions	58.1	56.8	57.7	23.7	18.6
Topical hydrocortisones	60.7	58.9	57.3	28.2	14.5
Depilatories	57.8	57.1	56.6	24.8	18.6
Laxatives	58.8	57.2	56.5	28.2	15.3
Foot remedies	58.4	57.1	56.0	29.2	14.8
Vitamins	58.9	56.6	55.5	30.1	14.4
Hair color	53.9	53.3	52.1	19.6	28.3
Suntan lotions & oils	52.9	49.9	50.3	29.4	20.3
Home wave kits	49.7	47.5	46.7	19.0	34.3
Soft contact lens solutions	49.5	46.7	45.2	28.1	26.7
Cold remedies	44.6	43.6	43.3	43.9	12.8
Hand and body lotions	44.3	42.6	42.7	36.8	20.5
Men's hair preps	39.7	39.2	39.1	39.9	21.0
Sinus remedies	37.9	39.5	39.0	46.6	14.4
Feminine douches	38.1	38.2	37.6	39.5	22.9
Internal analgesics	35.7	35.9	36.1	49.1	14.8
After shampoo	36.2	35.2	35.8	41.8	22.4
Toothbrushes	36.6	35.4	34.4	46.5	19.1
Mousse	33.6	31.7	31.8	42.4	25.8
Shaving cream	31.4	30.1	30.4	48.5	21.1
Baby oil	30.7	30.0	30.2	43.2	26.6
Hair fixatives	30.7	30.4	30.1	43.6	26.3
Blades and razors	30.1	29.7	29.5	49.2	21.3
Mouthwash	29.2	28.6	29.1	49.6	21.3
Shampoo	28.5	27.8	28.2	48.8	23.0
Deodorants	27.6	28.1	27.5	48.9	23.6
Sanitary protection	25.7	25.7	25.1	57.3	17.6
Cotton swabs	25.1	26.0	24.7	52.3	23.0
Dentrifice	22.5	22.4	22.7	58.0	19.3
Disposable diapers	10.2	10.1	10.3	70.5	19.2
Total health and beauty aids	38.8	38.2	38.2	42.3	19.5

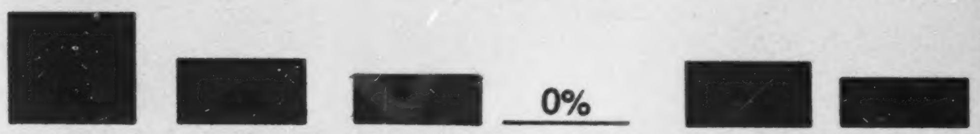
*Eight months through August 31

Source: Nielsen Marketing Research

H&BA Sales and Price Trends — Drug vs. Food vs. Mass Merchandisers

(Percentage change vs. year ago)

All three outlets



	Dollar sales trends first eight months 1989	Dollar sales trends first eight months 1990	Unit sales trends* first eight months 1989	Unit sales trends* first eight months 1990	Price trends* first eight months 1989	Price trends* first eight months 1990
Drug stores	5	4	2	0	3	4
Food stores	5	2	1	(2)	4	4
Mass merchandisers	15	8	11	6	4	3

Eight months ending August 31
*Weighted by dollar importance of each category
Source: Nielsen Marketing Research

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H&BA dollar sales was also down for the first eight months of 1990. Their share of H&BA sales dropped from 43.1 percent in 1989 to 42.2 percent for the eight months ending in August 1990.

The most dramatic shifts in dollar sales shares, however, are still occurring between drug and mass merchandise channels.

The mass merchandise industry's 8-percent gain in dollar sales volume boosted them to a 19.7 percent share of the H&BA categories tracked by Nielsen. They were up 1.1 share points versus last year and up 2.8 share points from 1984.

As has been the trend for several years now, drug stores again lost share on H&BA dollar sales. This year, they dropped 0.2 of a point to a 38.1-percent share. In 1984, they had a 40.1-percent share of H&BA dollar sales.

The erosion of the drug store industry's share of H&BA sales is partly the result of mass merchandisers expanding and building up H&BA categories in their stores, and partly the result of everyday low-pricing strategies.

Mass merchandisers are also getting more and more efficient in managing their H&BA inventories. They're able to turn the department almost twice as fast as drug stores can. That too is money in the bank for them.

Category share shifts

When you look at H&BA sales in drug stores on a category-by-category basis, you can see that drug stores are not getting strong dollar growth out of many categories these days. In H&BAs, the greatest growth in dollar sales is coming from mass merchandise outlets.

One indicator of the softening in drug store H&BA sales is the "What's Hot In Drug Stores" chart based on the 66 Nielsen index categories.

Two years ago, there were 25 H&BA categories in the What's Hot chart with sales growth in drug stores of 10 percent or better. Last year, there were only 10 showing strong growth. This year, there are only five, and only one generating dollars sales increases in excess of 15 percent: external analgesics.

But it would be misleading to think that this category only showed such strong growth in drug stores. This has been a good year for external analgesics in all mass outlets.

Food stores generated a dollar sales increase almost as strong as the increase in drug stores, and mass merchandisers had an increase that was 12 percentage points higher than drug stores for analgesics.

Mass merchandisers and food stores also have more H&BA categories showing strong growth than drug stores do. Out of the 23 remedial categories tracked by Nielsen, there were nine that, in mass merchandise stores, had dollar sales increases of 15 percent or better, and 16 with increases of 10 percent or better.

There were two remedial categories that had increases of 15 percent or better in food stores, and six with increases of 10 percent or better.

The growth in toiletries this year has not been as strong as it has been with remedial, but in comparing growth rates between drug, food and mass merchandise stores, the story is still the same. The Kmarts, Wal-Marts and Skaggs/Alpha Betas are getting stronger growth from toiletry categories than drug stores.

In the 37 toiletry categories tracked by Nielsen, the picture for drug stores was sobering. There were no categories that had increases of 15 percent or better, and only one, face creams and lotions, that exceeded a 10-percent increase.

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Drug Store H&BA Sales and Price Trends

(Percentage change vs. year ago)

	Dollar sales trends first eight months 1989	Dollar sales trends first eight months 1990	Unit sales trends* first eight months 1989	Unit sales trends* first eight months 1990	Price trends* first eight months 1989	Price trends* first eight months 1990
Total Nielsen HBA Index Categories	5%	4%	2%	0%	3%	4%
Total Toiletries	5	4	1	1	3	3
Men's products	5	1	0	(4)	6	5
Skin care	8	6	4	3	4	4
Hair care	3	3	0	1	3	2
Oral hygiene	5	5	1	4	3	1
Color cosmetics	3	6	0	1	2	5
Other toiletries	6	4	2	(1)	1	1
Total Remedial	6	3	1	(1)	4	4
Cold/Cough/Flu/Sinus	9	6	4	1	4	4
Analgesics/Digestives	3	2	(1)	(2)	4	4
External Remedies	9	4	4	1	5	4
Paper Goods	6	4	5	(2)	1	6
Selected Sundries	6	0	5	(3)	1	2

* Weighted by dollar importance of each category
Source: Nielsen Marketing Research

NIELSEN REPORT:

H&BA INVENTORY/SALES TRENDS

Inventory levels for the first eight months of 1990 were down by 2 percent, in contrast to a 4-percent increase for the same period a year ago.

*H&BA Inventory Trends — Drug Stores**

	Inventory level trends (% change vs. year ago) First eight months 1989	Inventory level trends (% change vs. year ago) First eight months 1990	Average annual rate of inventory turns First eight months 1989	Average annual rate of inventory turns First eight months 1990	Inventory rate of turn[1] (% change vs. year ago) First eight months 1989	Inventory rate of turn[1] (% change vs. year ago) First eight months 1990
Total Nielsen H&BA Index	4%	(2%)	4.5	4.6	(2%)	2%
Total Toiletries	3	(3)	3.8	3.9	(2)	3
Men's products	3	(6)	4.4	4.5	(3)	2
Skin care	11	(1)	4.0	4.1	(7)	4
Hair care	2	0	4.5	4.5	(1)	1
Oral hygiene	2	(3)	5.4	5.7	(1)	6
Color cosmetics	2	(3)	2.3	2.4	(2)	4
Other toiletries	1	(5)	2.6	2.7	1	2
Total Remedial	3	(2)	5.1	5.2	(1)	2
Cough/cold/flu/sinus	1	4	5.0	4.8	3	(3)
Analgesics/digestives	2	(6)	5.0	5.3	(3)	5
External remedies	7	2	5.3	5.3	(2)	(1)
Paper goods	4	(1)	6.8	6.7	1	(1)
Selected sundries	13	2	4.9	4.7	(7)	(4)

Based on the 66 categories in Nielsen's HBA index

[1] Weighted by dollar importance of each category

Source: Nielsen Marketing Research

Drug stores getting more H&BA inventory turns

In the face of intensifying competition for H&BA sales, drug stores have "managed down" their inventory levels. Inventory levels for the first eight months of 1990 were down by 2 percent, in contrast to a 4-percent increase for the same period a year ago, Nielsen research shows.

That trend has created a higher rate of turn versus a year ago, and has helped the industry boost average annual turns from 4.5 a year ago to 4.6 at the end of August this year.

Food and mass merchandise chains also bought conservatively this year. Inventory levels were only up 1 percent for both industries.

However, food stores were a little less efficient at managing their inventories this year. Their rate of turn dropped 3 percent to 9.9 annual turns a year.

Mass merchandisers, on the other hand, continue to get better and better at managing inventories. Their rate of turn was up 5 percent to give them an annual turn on toiletries of 9.9 times a year. This is the first time they have been as efficient as food stores in managing their H&BA inventories, and if the trend continues, they may even be able to outdo food stores next year, and that, considering the traffic food stores generate, would be quite an accomplishment.

H&BA sales growth is a struggle

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In comparison, food stores had one toiletry category that generated growth of 15 percent, and they had four with growth in excess of 10 percent versus the prior year.

Out of the 23 remedial categories tracked by Nielsen, drug stores only had a dollar sales share of 50 percent or better in nine segments. Their share of sales in the past two years had eroded on 19 of the 23 segments.

Mass merchandisers generated the strongest growth in this segment. They had one category generating a 15-percent increase, and eight doing better than a 10-percent increase over last year.

In only 12 out of 37 select H&BA toiletry categories did drug stores have a 50-percent or greater share of dollar sales. In 28 of those same categories, their share had eroded from what it had been just two years ago. The gains in most cases went to mass merchandise stores.

Out of the 23 remedial categories tracked by Nielsen, drug stores only had a dollar sales share of 50 percent or better in nine segments. Their share of sales in the past two years had eroded on 19 of the 23 segments.

The share shifts and the loss of "hot growth" categories clearly identify a continuing erosion of sales in categories that have traditionally belonged to the drug store industry. So far, drug stores have depended on their convenient locations to offset the price advantage that mass merchandisers hold, but that strategy, by itself, cannot contain erosion.

Drug stores need to find ways to give their customers added values, and the solution may be in providing more and better customer service, a greater variety of product assortment, a better price/value relationship, or finding new departments like video, fast food, or convenience groceries to help generate needed traffic.

H&BA Sales — What's Hot in Drug Stores

(For eight months ending August 1990 vs. eight months ending August 1989)

HOTTEST
(Dollar sales increases greater than 15%)

- External analgesics

HOTTER
(Dollar sales increases between 10% and 15%)

- Face creams and lotions
- Diaper rash creams
- Diarrhea remedies
- Pre-moistened towelettes

HOT
(Dollar sales increases between 5% and 10%)

- Face makeup
- Baby powder
- Foot remedies
- Women's fragrances
- Cough drops
- Suntan lotions & oils
- After shampoo
- Lip makeup
- Dentrifice
- Nail color
- Shampoo
- Sleeping tablets
- Blades & razors
- Toothbrushes
- Cold remedies
- Hand & body lotions
- Vitamins
- Denture cleansers

WARM
(Dollar sales increases between 0% and 5%)

- Sinus remedies
- Internal analgesics
- Sanitary protection

Nielsen HBA Index Average

- Dental floss
- Cough syrup
- Early pregnancy test
- Hair color
- Mouthwash
- Stomach remedies/antacid
- Disposable diapers
- Denture adhesives
- Arthritic remedies
- Baby bath
- Eye drops & lotions
- Eye makeup
- Acne remedies
- Batteries
- Deodorants
- Nasal spray
- Baby lotion
- Laxatives

NOT SO HOT
(No sales growth or sales volume declines)

- Hemorrhoid preparations
- Soft contact lens solutions
- Feminine douches
- Topical hydrocortisones
- Ethnic hair preps
- Aftershave lotion/cologne
- Throat lozenges
- Mousse
- Bath products
- Shaving cream
- Hair fixatives
- Baby oil
- Chapped lip preps
- Depilatories
- Women's contraceptives
- Mens hair preps
- Home wave kits
- Cotton swabs
- Pet flea collars
- Talc/dusting powder
- Insect repellents
- Dieting aids

Source: Nielsen Marketing Research

NIELSEN REPORT:

H&BA INVENTORY TRENDS/SPACE ALLOCATIONS

Dept. store categories get room to grow

Both drug chains and high-volume independents are continuing to devote more shelf space to core department store categories. In 1990, chains gave the greatest increase in space to the face cream and lotion category. New product launches and a growing consumer demand for these kinds of products are driving the growth.

Hair coloring products, hair sprays, hand and body lotions, sun care products and contact lens solutions also got higher-than-average increases.

High-volume independent operators gave their biggest boosts in shelf space allocations to men's toiletries, deodorants, face creams and lotions, sun care products and antacids.

Both chains and high-volume independents cut back on space for vitamins, cold remedies and acne remedies.

Food stores also expanded space for most of the H&BA categories tracked by Nielsen. They gave the biggest increases to deodorants, face creams and lotions, hair coloring, hair sprays, hand and body lotions, oral rinses, and shampoos.

Food chains now allocate more linear shelf space to H&BA items than high-volume independents, and mass merchandisers give this department

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*H&BA Inventory Trends — Drug vs. Food vs. Mass Merchandisers**

	Inventory level trends[1] (% change vs. year ago) First six months 1989	1990	Average annual rate of inventory turns First six months 1989	1990	Inventory rate of turn[1] (% change vs. year ago) First six months 1989	1990
Three outlets	▬	0 %	■	■	1 %	1 %
Drug stores	4%	(2%)	4.5	4.6	(2%)	2%
Food stores	2%	1%	10.3	9.9	0	(3%)
Mass merchandisers	3%	1%	9.3	9.9	8%	5%

*Six months ending June 30, based on the 66 categories in Nielsen's H&BA Index

[1] Weighted by dollar importance of each category

Source: Nielsen Marketing Research

H&BA Linear Measurement Study

(Average linear feet per store[1])

	1990 drug chains	Chng vs. 1989	1990 large indeps	Chng vs. 1989	1990[2] food chains	1990[2] mass merch
Selected toiletry/ beauty products						
Men's toiletries	31.1′	2.1′	22.8′	3.8′	15.0′	28.5′
Creme rinse/conditioner	58.2	NA	20.8	NA	35.0	58.2
Toothpaste	67.9	NA	26.1	NA	58.1	71.5
Deodorant	72.9	0.9	33.6	3.6	57.7	107.6
Face cream/lotion	31.8	7.8	15.5	3.5	14.5	21.9
Hair colorings	74.5	2.5	23.8	(1.2)	25.3	57.7
Hair spray - women's	49.1	5.1	14.7	0.7	28.6	69.2
Hand/body lotion	38.8	4.8	18.9	(0.1)	25.4	44.1
Oral antiseptic rinses	37.3	4.3	12.7	1.7	26.2	55.3
Shaving creams	21.3	0.3	8.5	(0.5)	16.8	24.7
Shampoo	69.1	2.1	28.0	1.0	52.1	82.3
Suntan lotions	36.7	5.7	15.7	2.7	17.5	45.7
Selected remedials						
Acne remedies	18.7	(0.3)	11.8	(0.2)	10.9	16.8
Cold remedies - adult	56.4	(0.6)	31.2	(3.8)	30.0	34.3
Contact lens solutions	45.9	6.9	21.0	NA	14.4	53.4
Contraceptives - male	24.0	NA	11.9	NA	11.8	11.8
Cough syrups/tablets	24.5	3.5	14.9	1.9	15.2	13.0
Diet aids	28.8	NA	11.1	NA	17.6	23.2
Pregnancy test kits	6.5	1.5	3.3	0.3	3.9	5.0
Headache/pain remedies	65.8	0.8	37.0	1.0	35.5	49.6
Laxatives	37.9	1.9	25.2	(0.8)	12.0	24.8
Nasal spray/drops	10.0	1.0	8.1	1.1	7.5	7.1
Antacids	42.5	3.5	26.1	3.1	21.5	31.3
Vitamins	84.0	(5.0)	52.9	(4.1)	39.4	64.5
Selected paper products						
Sanitary protection	93.5	3.5	32.3	1.3	65.6	117.4
Disposable diapers[3]	65.3	8.3	11.6	0.6	70.3	64.3
Department total	2398.3′		970.6′		992.8′	2049.5′

1. As of mid-June 1990
2. Comparisons not available
3. Disposable diapers not included in H&BA department total linear footage

Source: Nielsen Marketing Research

Linear Measurement Study

(Average dollar sales per month per store per linear foot)

	1990 drug chains	Chng vs. 1989	1990 large indeps	Chng vs. 1989	1990* food chains	1990* mass merch
Selected toiletries/ beauty products						
Men's toiletries	$53.18	$0	$16.33	NA	$ 36.32	$ 89.49
Creme rinse/conditioner	23.26	NA	9.26	NA	46.02	53.26
Toothpaste	18.55	0	7.80	−2	54.05	57.76
Deodorant	26.40	2	8.86	−2	55.76	55.60
Face cream/lotion	47.14	−4	22.53	−7	50.09	90.29
Hair colorings	18.77	1	8.75	0	26.48	36.18
Hair spray - women's	17.84	1	9.67	−2	41.38	39.90
Hand/body lotion	27.33	0	13.99	−2	39.99	45.42
Oral antiseptic rinses	25.94	0	14.82	5	65.29	49.79
Shaving creams	12.90	0	6.71	0	25.42	28.32
Shampoo	26.02	2	12.21	−2	62.65	68.84
Suntan lotions	21.85	−2	13.38	−5	34.10	27.38
Selected remedials						
Acne remedies	22.76	3	9.53	−1	38.44	0.00
Cold remedies - adult	44.86	6	22.70	1	85.00	85.13
Contact lens solutions	37.86	−2	15.94	-3	79.18	74.43
Contraceptives - male	27.92	NA	15.64	NA	33.98	39.37
Cough syrups/tablets	51.98	−5	35.66	3	61.30	73.01
Diet aids	14.79	NA	6.87	NA	15.63	21.64
Pregnancy test kits	53.41	−5	24.58	−2	47.68	0.00
Headache/pain remedies	49.89	5	26.93	−1	124.46	109.74
Laxatives	36.13	0	20.87	0	65.71	61.33
Nasal spray/drops	38.11	−1	17.14	−4	49.15	54.55
Antacids	27.46	0	15.15	−4	55.31	56.00
Vitamins	23.54	3	13.85	0	36.14	32.58
Selected paper products						
Sanitary protection	19.50	2	10.86	2	58.66	43.56
Disposable diapers	23.85	1	13.70	0	137.26	178.75

*Comparison not available

Note: Dollar sales based on annual sales volume. 12 months ended June 30, 1990

Source: Nielsen Marketing Research

NIELSEN REPORT:

H&BA SPACE ALLOCATIONS/DRUG STORE MERCHANDISING TRENDS

Shopper Conveniences Offered

	Drug chains	Large indeps	Food chains	Mass merch
Lottery tickets	27%	22%	54%	10%
Open 24 hours	8	*	49	2
Price each item	92	99	18	85
Credit card buy	89	90	23	95
Home delivery	6	77	7	2
Customer service dept.	17	7	84	87

*Less than one percent

Source: Nielsen Marketing Research

Special Departments Offered

	Drug chains	Large indeps	Food chains	Mass merch
Film developing dept.	93%	74%	84%	78%
Video tape rental	10	8	42	21
Magazine center	14	12	30	14
Sell fast food	1	5	86	23
Sit-down eating area	1	5	18	49
Generic products	18	19	67	14
Stock with singular items	15	18	48	12
Stock in single location	2	*	21	3
Optical department	2	*	*	4
Tax consultation	*	4	*	1
Location in shopping center	70	34	66	71

*Less than 1 percent

Source: Nielsen Marketing Research

Status of Scanners in Mass Market Outlets

(Volume of scanning stores as a percentage of outlet business, drug vs. food vs. mass merchandisers)

	1990	1991	1992	1993
Mass merchandisers	75%	78%	80%	90%
Food stores	67	70	73	79
Drug stores	17	32	45	63
Chain drug	25	45	58	70
Large independent drug	4	9	12	20
Small independent drug	0	0	0	0
Deep discount drug	21	35	45	55

Source: Nielsen Marketing Research projections

Share of End Aisle Displays by Department

(End of February 1990)

	Drug chains	Large indeps	Food chains	Mass merch
All product diplays	100.0%	100.0%	100.0%	100.0%
Dry grocery displays	13	8	40	5
Refrigerated food displays	*	*	2	*
H&BA displays	31	34	9	10
General merchandise displays	25	33	10	59
Frozen foods displays	*	*	7	*
Non-foods displays	16	11	16	11
All other displays/combinations	15	14	16	15

* Less than 1 percent
Source: Nielsen Marketing Research

Drug Store Display Strategies

(Average number of displays per store, February 1990)

	Drug chains	Large indeps	Food chains	Mass merch
All end aisle displays	25.8	7.8	24.1	140.6
Dry grocery	4.6	2.1	10.3	9.6
Refrigerated food	*	*	1.9	*
H&BA	8.4	3.1	3.3	13.9
General merchandise	6.9	3.4	3.4	84.7
Frozen foods	*	*	2.7	*
Non-foods	4.7	2.2	4.1	16.8
All other products/combinations	6.8	2.9	6.0	31.7

*Majority of drug and mass merchandise stores do not have refrigerated or frozen equipment.

Source: Nielsen Marketing Research

Continued from page 66

almost as much space as drug chains.

In 1990, mass merchandisers devoted an average of 2,050 linear feet per store to H&BAs, compared to the 2,398 linear feet that drug chains gave the category.

The mass merchandisers also have made a much stronger space commitment to toiletries than they did to remedial products.

Out of the 12 beauty aid segments Nielsen surveyed, mass merchandisers gave eight of them more space than drug chains did. In only three segments — men's toiletries, face creams and lotions and hair coloring — did drug chains have more space allocated than the mass merchandisers.

In the remedial department, however, drug chains gave more shelf space to 11 out of the 12 segments tracked. The only segment given more space by mass merchandise chains was contact lens solutions.

Drug chains, which gave this category 31 linear feet on average, only generated average sales of $53 per store per month.

This year, drug chains do not seem to be getting the dollar sales increases they need to justify space expansion. Although drug chains gave face creams and lotions another 7.8 linear feet in 1990, average sales per linear foot/per store/per month declined $4, to $47.

Linear foot sales were either flat or down for 10 of the 12 toiletry categories measured by Nielsen.

Large independents and food chains, which also increased space for most toiletries, felt the same effect.

Merchandising characteristics

Drug chains spend a lot of money trying to persuade customers that, like traditional neighborhood drug stores, they care about their customers and will go out of their way to provide personalized and courteous service.

In terms of some shopping convenience, they are actually more accommodating than independents. For example, 96 percent of all chain drug stores are open on Sundays, compared to just 54 percent of all independents. And 8 percent are open 24 hours a day, seven days a week compared to less than 1 percent of all independents who offer those hours.

About 90 percent of both drug chains and independents are willing to take credit card purchases, and nine in 10 of both chains and independents still take the time to price every item in their stores. More drug chains than independents, however, give shoppers price comparisons so consumers can get a better sense of how they may be saving money by shopping these stores.

However, chains are nowhere close to rivaling independents when it comes to home deliveries. Seventy-seven percent of all independents provide that service and only 21 percent charge for it. Just 6 percent of all chains do home deliveries and 3 percent charge for it.

More drug chains than independents also offer special departments. For example, 93 percent of chains have a film developing department, compared to 74 percent of all high-volume independents. Seventy percent of all chains stores are also in high traffic shopping center locations, compared to just 34 percent of all high-volume independents.

Scanning

Chain drug stores are also far ahead of high-volume independents in scanning installations. By the end of this year, Nielsen estimates that 25 percent of all chain drug stores and 21 percent of all deep discount chain drug stores will have scanners at the front end, making it even easier for customers to get in and out fast. In contrast, by year's end, Nielsen is estimating that just 4 percent of all large independents will have scanners.

By the end of 1993, Nielsen is projecting that 63 percent of all chain drug stores and 55 percent of all deep discount chain drug stores will have scanners, compared to just 20 percent of all large independents.

At the end of this year, chain drug stores will have narrowed the gap between themselves and food and mass merchandise stores, which are much more heavily into scanning at the front end.

Display strategies

Mass merchandise chains give H&BAs more displays per stores than drug chains do, but as you'd expect, the department's share of display space relative to other categories is much higher in drug stores than it is, or ever could be, in mass merchandise stores.

Drug chains and high-volume independents give one third of their off-shelf display space to H&BAs, making it the most visibly merchandised department in their stores. Chain drug stores have an average of eight H&BA displays per store, while high-volume independents have an average of three.

Chain drug stores and high volume independents also give general merchandise products a high proportion of their display space. Chain drug stores on average give GM 25 percent of their display space and average seven GM displays per store, while high volume independents give it 33 percent of their display space and average three displays per store.

Food stores give H&BA and GM 9 percent and 10 percent, respectively, of their display space, and they average three displays per store on each of these two categories.

SGC stock/bond buyback will ease strain of LBO debt

WOODBRIDGE, N.J. — Supermarkets General Corp. is proposing to buy back $155.5 million of its "junk bonds" and 1.7 million shares of preferred stock as part of a refinancing plan.

Supermarkets will form a new holding company to raise $80 million in capital to pay for the bonds and stocks. SGC said the restructure will save $15.8 million a year in dividend and interest payments and improve its balance sheet.

"This should be viewed as a first step toward unleveraging. We're still highly leveraged. We're still an LBO company in a difficult economic environment," said Harvey Gutman, who was recently promoted to vp-retail development.

Gutman said the refinancing will give SGC more flexibility for capital expenditures.

Spending for store renovations, he said, will exceed $45 million in the fiscal year ending in January, a record level.

Gutman confirmed that SGC recently reported to the Securities and Exchange Commission that operating profit and net worth would soon be in violation of levels required by its lending banks. But he said the refinancing is not a result of that, and was not mandated by the banks, though their approval will be required.

"It's not a step we had to take or need to take," Gutman said. "We've met our obligations in the past, and we will. . . in the future."

Merrill Lynch Capital Partners (which took the company private three years ago), Equitable Life Assurance Society, and Adler & Shaykin, an investment group, are among groups committing equity. They'll receive preferred stock convertible to common shares. The plan will reduce long-term debt, which stood at $1.4 billion in August, by $90 million.

SGC said it will buy its 13⅛ percent subordinated bonds — about half its outstanding bonds — for 27 cents on the dollar, and 25 percent of preferred shares for $5 a share. The offers were said to be significant premiums to recent trading values.

Overall capital spending has dropped sharply since SGC mounted a $1.8-billion LBO three years ago to escape a Haft family raid.

But SGC has maintained that it's stayed aggressively competitive in merchandising and pricing. It also says that a core group of seasoned merchandisers and store operations staff remains in place, though a fair number of top executives have departed in recent months.

Gutman said new store openings have been constrained, not by the LB0, but by an unavailability of real estate. SGC added one Pathmark Drug Store this year.

Financial results. . .

Genovese third quarter: For Genovese Drug Stores (Melville, N.Y.) third quarter ended Nov. 9, sales climbed 3.6 percent to $93.5 million, with income up 64.1 percent to $983,000. For the 40 weeks, income climbed 33.9 percent to $2.8 million, on sales of $318.9 million, an 8.2-percent increase.

Fay's third quarter: Fiscal third-quarter income at Fay's, Inc. (Liverpool, N.Y.) fell 23 percent, to $1.9 million, because of a charge for early debt retirement and a higher tax rate. Revenue rose 18 percent, to $166.5 million; same-store revenue climbed 11 percent.

Medicine Shoppe International's year: This St. Louis, Mo.-based franchise operation posted $2.4 million in net income, up from last year's $2.0 million, on sales of $32.4 million, up from $28.6 million, for the year ended Sept. 30.

Longs' third quarter: Longs Drug Stores (Walnut Creek, Calif.) announced a 10-percent increase in sales ($1.653 billion) and flat earnings ($42.4 million) for the three quarters ended Oct. 25. For the quarter itself, lower gross margins and increased salary and benefits costs caused net income to fall 6 percent, to $12.0 million, on a 9-percent increase in sales, to $556.7 million.

Penney's first quarter: Thrift Drug Co. (Pittsburgh, Pa.) parent J. C. Penney Co. saw net income for its third quarter ended Oct. 27 fall from last year's $209 million to $134 million, on sales of $3.995 billion, down from last year's $4.061 billion.

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Vol. 12, No. 22 Dec. 10, 1990

MARKET DIARY:

Largest Dollar Gainer	Carter-Wallace	$ 6.38
Largest Dollar Loser	Rhone-Poulenc Rorer	$− 4.50
Largest Percentage Gainer	ICN Pharmaceutical	52.38%
Largest Percentage Loser	Perry Drug	−21.57%

Advances	37
Declines	15
Unchanged	5
New highs	1
New lows	4

	Close 11/6/90	Close 11/27/90	Net Change	Percent Change
Drug Store News Index	2812.99	2914.86	101.87	3.62
Dow Jones Industrial Average	2485.15	2543.81	58.66	2.36
Standard & Poor's 500-Stock Index	311.62	318.10	6.48	2.08
N.Y.S.E. Composite	170.21	173.87	3.66	2.15
Value Line Index	184.15	187.60	3.45	1.87

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 11/6/90	Closing Price 11/27/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	5.00	5.63	0.63	12.50	−281	0.00	0.00	7.56	2.88
OTC	Arbor Drugs	ARBR	15.50	17.00	1.50	9.68	15	0.16	0.94	23.25	13.25
OTC	Big B	BIGB	7.25	6.38	−0.88	−12.07	−18	0.16	2.51	13.75	4.75
OTC	Drug Emporium	DEMP	7.63	7.50	−0.13	−1.64	12	0.12	1.60	11.00	6.25
NYS	Fay's Inc.	FAY	7.38	7.50	0.13	1.69	11	0.20	2.67	12.00	7.25
ASE	Genovese Drug	GDX.A	6.00	6.25	0.25	4.17	13	0.24	3.84	10.88	5.63
NYS	Longs Drug Stores	LDG	36.00	34.38	−1.63	−4.51	11	1.04	3.03	48.50	33.25
OTC	Medicine Shoppe (L)	MSII	17.50	16.75	−0.75	−4.29	15	0.24	1.43	26.75	15.50
NYS	Perry Drug (L)	PDS	6.38	5.00	−1.38	−21.57	9	0.00	0.00	9.88	4.75
NYS	Rite Aid Corp.	RAD	33.63	34.88	1.25	3.72	17	0.88	2.52	38.63	29.50
NYS	Walgreen Co.	WAG	48.63	49.50	0.88	1.80	17	0.92	1.86	53.25	39.88
Wholesalers' transactions											
ASE	Bergen Brunswig	BBC	24.75	26.88	2.13	8.59	15	0.40	1.49	29.63	20.50
OTC	Bindley Western Ind.	BIND	10.50	10.50	0.00	0.00	15	0.04	0.38	14.25	8.63
OTC	Cardinal Distribution	CDIC	24.00	25.00	1.00	4.17	22	0.08	0.32	25.00	15.88
OTC	Durr-Fillauer	DUFM	25.50	26.13	0.63	2.45	16	0.28	1.07	27.00	19.50
ASE	Ketchum	KCH	1.75	1.50	−0.25	−14.29	−1	0.00	0.00	5.13	1.50
NYS	McKesson Corp.	MCK	28.13	29.88	1.75	6.22	13	1.60	5.36	38.38	26.88
ASE	Moore Medical	MMD	4.00	5.00	1.00	25.00	−6	0.00	0.00	10.25	3.50
NYS	Owens & Minor	OMI	12.50	14.13	1.63	13.00	19	0.24	1.70	14.63	10.63
Manufacturers' transactions											
NYS	Abbott Labs	ABT	40.63	42.50	1.88	4.62	20	0.84	1.98	45.63	31.25
NYS	American Home Products	AHP	49.00	52.00	3.00	6.12	14	2.12	4.08	55.13	43.00
NYS	Baxter International	BAX	26.25	27.00	0.75	2.86	−93	0.64	2.37	27.50	20.50
OTC	Block Drugs Co.	BLOCA	33.75	33.50	−0.25	−0.74	12	0.80	2.39	38.00	30.50
ASE	Bolar Pharmaceutical (L)	BLR	2.88	4.00	1.13	39.13	−3	0.04	1.00	19.00	1.88
NYS	Bristol-Myers Squibb	BMY	60.75	63.50	2.75	4.53	35	2.12	3.34	65.88	50.50
NYS	Carter-Wallace	CAR	47.00	53.38	6.38	13.56	16	0.92	1.72	60.50	44.88
ASE	Columbia Labs	COB	5.75	5.00	−0.75	−13.04	−4	0.00	0.00	17.88	3.63
ASE	Forest Labs	FRX	45.00	44.50	−0.50	−1.11	27	0.00	0.00	48.38	33.63
ASE	Halsey Drug	HDG	2.50	2.25	−0.25	−10.00	225	0.00	0.00	6.94	2.13
NYS	ICN Pharmaceutical	ICN	2.63	4.00	1.38	52.38	0	0.00	0.00	5.75	2.50
ASE	Lee Pharmaceutical	LPH	1.25	1.25	0.00	0.00	−4	0.00	0.00	2.75	1.25
ASE	P. Leiner Nutrition	PLI	7.38	7.50	0.13	1.69	9	0.00	0.00	12.63	6.75
NYS	Eli Lilly Co.	LLY	68.88	73.38	4.50	6.53	20	1.64	2.24	90.38	58.75
NYS	Marion Labs	MKC	32.00	32.63	0.63	1.95	23	0.80	2.45	36.00	21.00
NYS	Merck Co.	MRK	79.25	85.13	5.88	7.41	20	2.24	2.63	91.13	67.00
NYS	Mylan Labs	MYL	16.75	20.00	3.25	19.40	22	0.20	1.00	25.38	13.75
NYS	Par Pharmaceutical	PRX	4.13	4.13	0.00	0.00	−4	0.00	0.00	8.25	3.38
NYS	Pfizer Inc. (H)	PFE	75.25	79.00	3.75	4.98	18	2.40	3.04	79.50	54.50
NYS	Rhone-Poulenc Rorer	RPR	65.88	61.38	−4.50	−6.83	−39	0.84	1.37	78.25	43.50
NYS	Schering Plough	SGP	45.13	45.50	0.38	0.83	19	1.12	2.46	50.75	37.00
NYS	Syntex Corp.	SYN	55.63	58.75	3.13	5.62	19	1.60	2.72	63.75	46.38
OTC	Taro-Vit Industries	TAROF	2.50	2.38	−0.13	−5.00	−40	0.00	0.00	2.88	0.88
NYS	Upjohn Co.	UPJ	36.25	35.88	−0.38	−1.03	19	1.00	2.79	44.63	33.00
NYS	Warner-Lambert	WLA	64.00	66.38	2.38	3.71	19	1.52	2.29	70.13	49.63
OTC	Zenith Labs	ZENL	6.50	6.50	0.00	0.00	0	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's	ABS	32.88	33.00	0.13	0.38	21	0.48	1.45	37.63	24.38
NYS	American Stores	ASC	44.88	48.00	3.13	6.96	12	1.12	2.33	71.50	42.63
NYS	Giant Food	GFS.A	23.88	25.63	1.75	7.33	13	0.60	2.34	29.88	21.13
NYS	Great Atlantic&Pacific Tea (L)	GAP	43.00	39.63	−3.38	−7.85	10	0.80	2.02	65.38	37.75
NYS	Kmart	KM	26.38	26.25	−0.13	−0.47	16	1.72	6.55	37.25	23.38
NYS	Kroger	KR	12.25	12.25	0.00	0.00	47	0.00	0.00	17.00	10.63
NYS	Melville Corp.	MES	36.88	39.38	2.50	6.78	11	1.40	3.56	57.75	32.75
OTC	Fred Meyer	MEYR	11.50	11.75	0.25	2.17	−56	0.00	0.00	19.00	10.00
NYS	Penney, JC	JCP	42.13	42.50	0.38	0.89	7	2.64	6.21	75.63	37.38
NYS	Safeway	SWY	11.25	12.25	1.00	8.89	31	0.00	0.00	16.88	10.25
NYS	Smith's Food & Drug	SFD	26.63	27.50	0.88	3.29	21	0.28	1.02	34.50	21.63
NYS	Wal-Mart	WMT	27.75	29.38	1.63	5.86	27	0.12	0.41	36.75	20.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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Retail pharmacy is a whole new ballgame

By James Frederick

Less than a generation ago, a pharmacy school graduate had a pretty simple choice about where to launch his or her professional career. Practice settings were easy to distinguish: drug stores — both chain and independent — as well as hospitals, professional pharmacies or mail-order houses.

Supermarket chains with in-store pharmacies were options for a brave few. Often, that meant staffing a low-key operation that snagged a few prescription customers from the grocery aisles.

Oh, how times have changed.

For their part, most shoppers 15 or 20 years ago refused to consider a supermarket or a discount store for something as specialized and professional as pharmacy services. Independent drug store operators fretted about the growing power of the drug chains, but neither side focused too much on the massive societal shifts and competitive forces that were building inexorably outside their own industry. They felt, as did most consumers at the time, that supermarkets and other upstarts in retail pharmacy could never duplicate the professionalism and level of trust that accrued to drug stores. It was, most industry experts said, an inviolable franchise.

Fast-forward to 1990, and the whole landscape has shifted. Entire new trade classes have emerged as powerful retail forces — witness deep discount drug stores and

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Inside Pharmacy
☆ SPECIAL REPORT ☆

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FEATURE

Getting pharmacists involved in community projects helps Hannaford Bros. achieve success in recruitment. **20**

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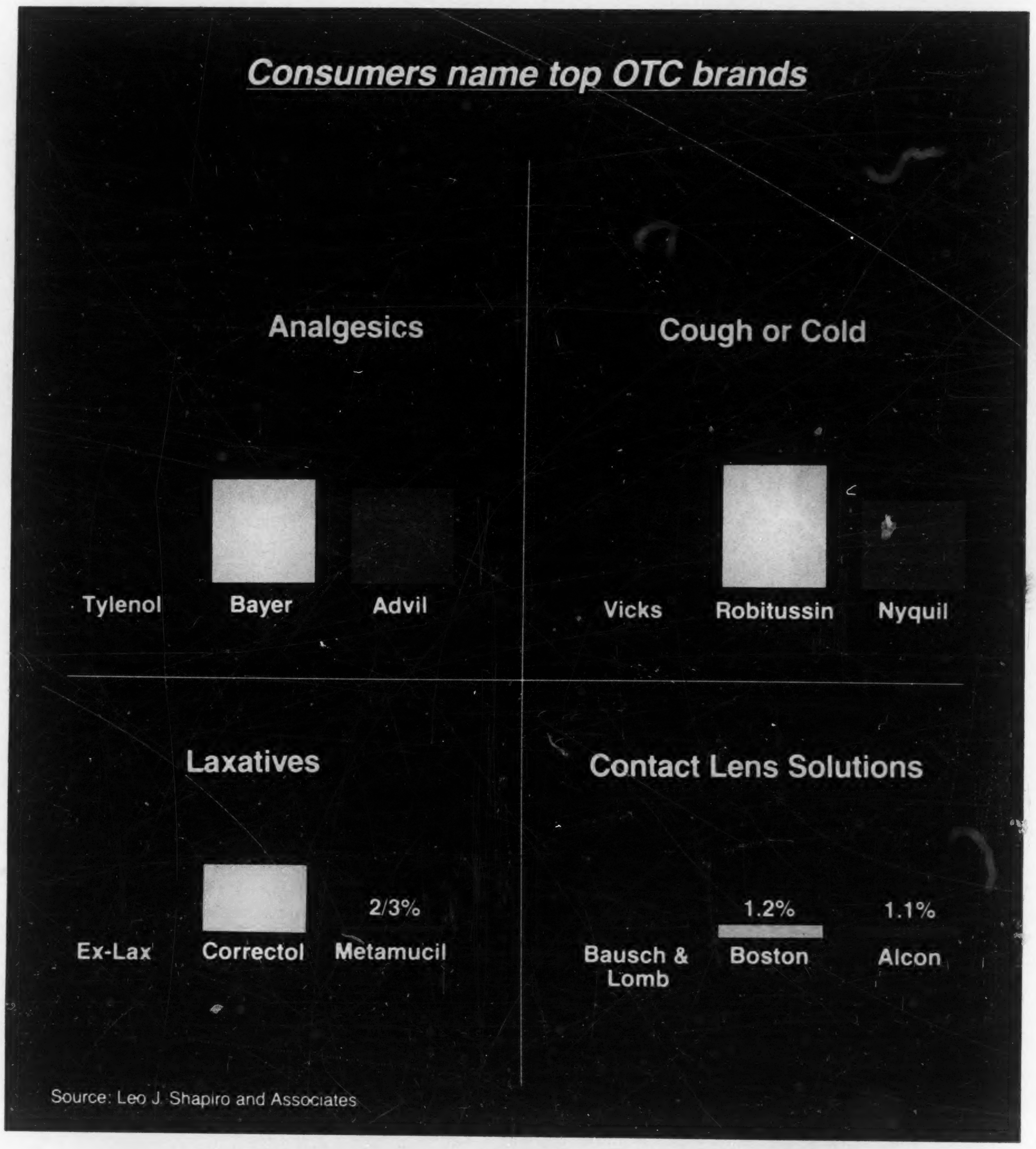

Source: Leo J. Shapiro and Associates

Brand loyalty doesn't mean store loyalty: study

By Harold Cohen, R.Ph.

Consumers continue to shop traditional drug stores for most of their over-the-counter product needs, but the growing attention being given to those products by nontraditional outlets is giving drug stores a run for consumers' money.

According to *Drug Store News*' Second Annual Consumer Brand Preference Study, conducted by Leo J. Shapiro and Associates, shoppers are very brand loyal when it comes to OTC products (82 to 99 percent prefer a brand, depending on category). But that loyalty doesn't extend to where they purchase those brands. The product categories studied were: cough and cold, eye and lens care, analgesics, dental and laxatives.

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Drug stores choice outlets for consumer analgesic purchases

Consumer Preferences: Analgesics

	Total	North-east	Mid-west	South	West
Tylenol	42.7%	41.9%	38.6%	43.0%	48.0%
Bayer	11.5	9.3	13.3	12.5	9.8
Advil	10.6	10.7	11.2	9.9	10.8
Generic	5.2	4.2	8.4	3.9	4.4
Anacin	3.2	5.6	3.2	3.3	.5

Leo J. Shapiro and Associates

As a therapeutic category, analgesics is one of the most heavily shopped by consumers. The reason: They know that they can get quick and inexpensive relief from everything from a simple headache to the pain of chronic arthritis.

According to the *Drug Store News Consumer Brand Preference Study,* 93 percent of the consumers surveyed said they purchased an analgesic product within the last 12 months.

Until fairly recently, OTC shoppers had only two basic products from which to choose, aspirin and acetaminophin. While there are many brands of both drugs on the market, the Bayer brand of aspirin and the Tylenol brand of acetaminophin perenially top the list of consumer preferences. In this year's consumer study, Tylenol was overwhelmingly preferred in the pain relief category (42.7 percent).

But over the past several years, the choice has been broadened by the addition of a third major pain reliever, ibuprofen. Ibuprofin was once available by prescription only. When it was approved for over-the-counter sale, it took the market by storm, spawning at least a half-dozen new branded products. Because ibuprofen was a prescription-only analgesic obtained only through a visit to a doctor, drug stores have had an advantage because of their association in consumers' minds with professionalism. But that advantage may be eroding as supermarkets, discounters and others increase the professionalism of their own pharmacy departments.

But for now, drug stores retain their lead. Thirty-seven percent of consumers said they had made their last analgesic purchase in a drug store, compared to 30 percent in a food store and 22 percent in a discount department store.

While the introduction of ibuprofen was a boost to the category as a whole, the reality was that it was just another type of analgesic for consumers to choose. Therefore, manufacturers, eager to grab their share of the pain reliever market, have marketed their products toward specific problem areas, such as menstrual cramps, headaches, backaches and arthritis.

As popular as the analgesic category might be among consumers, the wide choice of aspirin, acetaminophen and ibuprofen products on the market have led consumers not to be particularly brand loyal. According the survey, 65.5 percent said they would switch to another brand if their preferred brand was out of stock.

The trend towards little brand loyalty spills over to sales of store brands. According to the survey almost 7 percent of the consumers said they had purchased a store brand in their last shopping visit for analgesics. That percentage is high among other OTC categories, and is accounted for, among other things, by consumer willingness to buy nonbranded aspirin.

While price may not be a commanding reason driving consumers to purchase on analgesic brand over another, convenience seems to be a key reason consumers buy most of their analgesic products in a drug store. Long hours, a desire for quick relief from their pain, and the availability of a pharmacist to answer any medical questions adds to consumers' preference for purchasing analagesics in a drug store.

Drug stores benefit from complex cough-cold choices

Consumer Preferences: Cough or Cold Medicine

	Total	North-east	Mid-west	South	West
Vicks	14.0%	13.5%	11.2%	15.5%	15.2%
Robitussin	13.5	16.7	13.7	13.7	9.3
Nyquil/Nyquil Junior	9.8	8.4	7.6	10.7	12.3
Triaminic	5.3	5.6	4.8	3.9	7.8
Alka Seltzer/ Alka Seltzer Plus	3.0	2.3	4.4	2.7	2.5

Source: Leo J. Shapiro and Associates

Introduction of new products and frequent line extensions have given consumers a plethora of choices within the highly competitive cough and cold category. Because of the wide assortment and the crossover of product categories such as allergy and colds, it's often difficult for a consumer to pick one brand over another.

But the very complexity of choice has worked to the benefit of drug stores. *Drug Store News*' Second Annual Consumer Brand Preference study found that more than two out of five consumers (41.3 percent) prefer to purchase their cough and cold products in a drug store.

Besides the convenient location of the typical drug store, pharmacists are nearly always close at hand to answer questions about one product or another.

The cough-cold category is one of the few H&BA categories in which drug stores have managed to remain dominant in the face of increasing competition from supermarkets and discount stores.

In the survey, 22 percent of consumers said they had made their last purchase of a cough or cold product in a food store and only 15 percent in a discount department store. That means that consumers' preference for purchasing cough-cold products in drug stores

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Brand loyalty doesn't mean store loyalty: study

Continued from page IP1

Although drug stores continue to get the lion's share of consumers' OTC purchases, the frequency of shopping trips made to other outlets, especially food stores, has helped erode drug store dominance, especially in the highly promotable categories that do not rely on pharmacists' recommendations.

For example, the study shows that consumers purchase most of their eye and lens care products from drug stores, whereas they make most of their toothpaste purchases in a food store.

Given the non-specificity of consumers' OTC shopping habits, drug stores will have to work harder to hold back the erosion of OTC customers. To maintain a competitive edge, buyers and store managers will have to pay closer attention to what drives consumers to purchase certain brands.

Probably the single largest factor in getting consumers to initially purchase one brand over another is advertising. But once that brand is purchased, how the product performs becomes of paramount importance and is almost always the reason for repeat purchases.

Price not overriding purchase rationale

The study shows that price isn't the overriding reason for choosing a brand. In fact, looking at the OTC categories surveyed, the study shows that while approximately 30 percent of the drug store purchases were made at a promotional price point, consumers often bought merchandise not on sale even though they were aware it was on sale in another store. This was particularly noted in the case of laxatives.

As with most product categories, consumers who purchase OTC products relate brand names with therapeutic categories. For example, if consumers are asked what brand of aspirin they would most likely purchase, the answer may be Bayer. But when asked what analgesic they most purchase, the more likely answer is Tylenol. Whereas Bayer is thought of as an all-encompassing name for any aspirin product, Tylenol is often thought of as any nonaspirin-containing product.

Another factor in determining consumer brand preference is word of mouth. As might be expected, recommendations from doctors and pharmacists runs high on the list of factors that drive consumers to one brand over another. Recommendations from relatives and friends is another important source.

Pharmacists' recommendations, creative signage, good price points and store-wide advertising of certain products give retailers some control over getting consumers into their stores to purchase their favorite brands, but retailers have little control over maintaining customer loyalty to one brand or another. However, one sure way of driving business away is not to have consumers' favorite brands on their shelf.

With brand loyalty of OTC products so high, retailers must pay close attention to consumers' brand preferences and use anything in their power to get consumers to shop in their stores for those brands. If they don't, competitors eager to satisfy customers' needs will.

Another factor in consumers' changing buying habits is the way a product is portrayed in advertising. At one time it was common for some pharmaceutical companies to add the tag line "ask your pharmacist" to their TV and radio spots for OTC drug products. But as food and discount stores delved deeper into the OTC business, manufacturers, looking to expand markets for their products, dropped the specific reference to the pharmacist or drug store. After years of conditioning to shop for these items in a drug store, today's consumers are showing little reluctance to purchasing these same products in nontraditional outlets.

Counterpart loyalty

A strong loyalty to prescription counterparts of many OTC-switched products is another reason consumers still prefer to shop in a drug store. This is particularly true for cough-cold and analgesics. For example, Motrin, once available only on prescription, and therefore only in pharmacies, is still perceived by many consumers as a "drug store item." The same is true for products like Actifed, Benadryl and Dimetapp in the cough-cold category.

But because a consumer has a strong preference for one brand over another is no assurance they won't readily switch if that brand is not available. The study showed that if a favorite brand were out of stock, between 41 percent to 79 percent of the shoppers surveyed were likely to switch, depending on the category. While this is true in categories like cough-cold and analgesics, where ingredients in several brands are nearly identical, it does not hold for a category like eye/lens care, where physicians' recommendations keep brand loyalty very high.

Consumer Preferences: Toothpaste

	Total	North-east	Mid-west	South	West
Crest	42.7%	38.6%	44.6%	39.1%	50.5%
Colgate	26.5	31.2	23.3	27.8	23.5
Aqua Fresh	6.2	8.4	5.6	5.4	5.9
Aim	4.6	7.0	5.2	3.3	3.4
Close-Up	4.4	1.4	4.4	7.8	2.0

Source: Leo J. Shapiro and Associates

Food units give oral care squeeze

Food stores continue to put the squeeze on drug stores in the toothpaste and mouthwash categories, according to *Drug Store News's* latest Consumer Brands Preference Study. Forty-four percent of consumers buy their toothpaste and 35 percent their mouthwash products from food stores, the study found.

That compares to drug stores' 25-percent share of consumer purchases in toothpaste and 27 percent in mouthwashes. Drug stores, in fact, have about the same share as discount department stores when it comes to purchases in these two dental categories.

The reason for this disparity between food stores and drug stores is, of course, the one-stop shopping convenience offered by supermarkets. Toothpastes and rinses are products automatically added to weekly shopping lists. Consumers perceive them as commodities for the home cabinet, like flour, sugar or milk.

Although consumers have strong brand preferences in this category, they are not brand loyal when it comes to toothpaste. They buy to fill the need. Should the retailer not have their preferred brand, most will switch.

Seventy-seven percent said they would buy an alternative if their preferred brand was out of stock, and this often means that the switch brand becomes their first choice at the time of their next purchase. Nor are they particularly brand-loyal towards mouthwashes. Seventy-three percent said they would switch if their favorite brand were not available.

In addition, toothpaste and mouthwashes are among the most price-sensitive of all H&BA categories. Thirty-nine percent of consumers said they made their last purchase of toothpaste on sale, and 40 percent said their purchase of mouthwash was on sale. Among all the 28 categories tracked in Shapiro's consumer research, only batteries, shaving cream, deodorants, pantyhouse, deodorants and several hair care categories scored higher in the price-sensitivity area — and then not by much.

Crest (42.7 percent) and Colgate (26.5 percent) completely dominate the market in consumer preference, while other brands, such as Aqua Fresh, Aim and Close-Up, reported in with single-digit percentage preferences. Among mouthwash preferences, Scope (26 percent) and Listerine (25 percent) were virtually even. Plax, the brand that helped establish the anti-plaque subcategory among mouthwashes, was third with 7 percent.

Rinses, enjoying little growth the past few years, has steady sales due to its standing customer base. Its use is more of a personal decision, rather than a necessity, like toothpaste. The market is sensitive to advertising, and manufacturers will go to great lengths to help consumers identify their product in the stores.

Consumer Preferences: Mouthwash/rinse

	Total	North-east	Mid-west	South	West
Scope	26.1%	20.9%	31.3%	27.5%	23.0%
Listerine	25.3	23.7	18.9	30.7	26.0
Plax	7.3	9.8	6.8	6.6	6.4
Listermint	4.4	5.6	3.6	3.9	4.9

Source: Leo J. Shapiro and Associates

Lens care scores high in brand loyalty

When it comes to brand loyalty among OTC products, the contact lens care category has one of the highest. According to the survey, more than half of the shoppers polled said they would not switch if their brand of contact lens solution were not in stock.

A major reason for the high brand loyalty is physician recommendations. It is common for doctors who fit a person for contact lenses for the first time to give a "starter pack" containing one particular brand of saline, cleaning and disinfecting solution. In most cases, consumers will stay with that brand until they become comfortable with the daily or weekly routine of cleaning and disinfecting their lenses. Some industry observers say that switching is not likely to take place for about a year.

The strong link between physician recommendations and brand loyalty also accounts for the fact that most shoppers purchase their contact lens solutions in a drug store, which is perceived by most shoppers as a more "professional" environment.

According to the study, 40 percent of those surveyed said they made their most recent purchase of contact lens solution in a drug store, compared to 34 percent in a discount department store and 19 percent in a food store.

When it comes to contact lens solutions, patients will generally purchase three different kinds: saline, disinfecting and cleaning. Furthermore, the category is divided among three major groups of lenses: soft, RGP (rigid gas permeable), and hard.

When customers were asked which brand of contact lens solution they most prefer, there was no question. High honors went to Bausch & Lomb, with 37.1 percent of the those who actually purchased contact lens solution in the past year naming B&L as the brand they bought.

The second highest preference was for Boston solutions. One of the reasons for a lower score for Boston solutions is that they are targeted to specifically to the RGP lens wearer, of which there are fewer.

Consumer Preferences: Contact Lens Solutions

	Total	North-east	Mid-west	South	West
Bausch & Lomb	6.9%	6.5%	8.8%	6.9%	4.9%
Boston	1.2	1.4	1.6	1.2	.5
Alcon	1.1	.9	.4	.9	2.5

Source: Leo J. Shapiro and Associates

Consumer Preferences: Laxatives

	Total	North-east	Mid-west	South	West
ExLax	8.6%	4.7%	10.8%	9.3%	8.8%
Correctol	5.5	4.7	5.6	7.2	3.4
Metamucil	2.3	1.9	2.8	3.0	1.0

Source: Leo J. Shapiro and Associates

Laxatives: Because they work

Ease of use, efficacy, advertising. Those are the major factors that drive consumers to purchase one brand of laxative over another.

Therefore, it's no surprise that the two top brands chosen by the shoppers in *Drug Store News'* Consumer Brands Preference Study are both in tablet form — Ex Lax and Correctol. In a survey of 1,003 consumers nationwide, 8.6 percent picked Ex Lax as their No. 1 laxative brand, while 5.5 percent chose Correctol. The percentages are low because 72 percent of the shoppers surveyed said they never buy laxatives.

Sales of Metamucil, a bulk fiber laxative, have benefitted from health awareness programs centering around the dangers of high cholesterol and colon cancer. Metamucil was chosen as the favorite brand of laxative by just over 2 percent of the sample.

Although the survey showed that most of the shoppers purchased their last brand of laxative in a drug store (46.5 percent), the number of individuals who shop for laxatives in all other outlets was 50 percent. That includes 27.7 percent for food stores and 22.1 percent for discount department stores.

As with contact lens solutions, price was not an overriding consideration in shopper decisions to purchase one brand over another. Over half of the shoppers said they did not purchase their favorite brand of laxative on sale or at a price less then it usually costs.

Consumers name their favorite brands

(Shoppers were asked:
If you were buying a product
in a particular category,
which brand would you buy?)

Analgesics
Tylenol
Bayer
Advil

Contact lens solution
Bausch & Lomb
Boston
Alcon

Cough or cold medicine
Vicks
Robitussin
Nyquil

Laxatives
Ex-Lax
Correctol
Metamucil

Mouthwash/rinse
Scope
Listerine
Plax

Toothpaste
Crest
Colgate
Aqua Fresh

Source: Leo J. Shapiro and Associates

Drug stores benefit from complex cough-cold choices

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was greater than for supermarkets and discount stores combined.

Drug stores benefit not only from convenient locations and the presence of the traditional community pharmacist, but also from their breadth of product line. Still, in most combination food-drug stores, broad cough-cold assortments have become the norm (depth has always been a strength), and, as Nielsen has found, the drug store market share erosion continues, even in this once-solidly drug store category.

While most consumers have a definine brand preference in this category, brand loyalty is relatively low. Most of the time, consumers need a cough or cold product immediately and when their preferred brand is out of stock, they're willing to listen to a pharmacist about the benefits of a substitute. According to the survey, 71.1 percent said they would buy another brand if their preferred product was not to be found.

Familiar brand names dominate the cough and cold preference rankings: Vicks, Robitussin, Nyquil, Triaminic, Dimetapp, Alka Seltzer, Tylenol and Contac were the brands garnering at least 3 percent of consumer preferences. All of the brands are heavily advertised. With the exception of the Vicks products, which in many consumers' minds are synonymous with the treatment of coughs and colds, the other two top brands fall into specific subcategories — Robitussin for cough and Nyquil for nighttime treatment of colds.

Because so many cough-cold products are formulated with several active ingredients, the study showed that consumers are wary about purchasing private label products. Only 2 percent of the respondents said their last cough or cold purchase had been a store brand.

DRUG STORE NEWS
INSIDE PHARMACY
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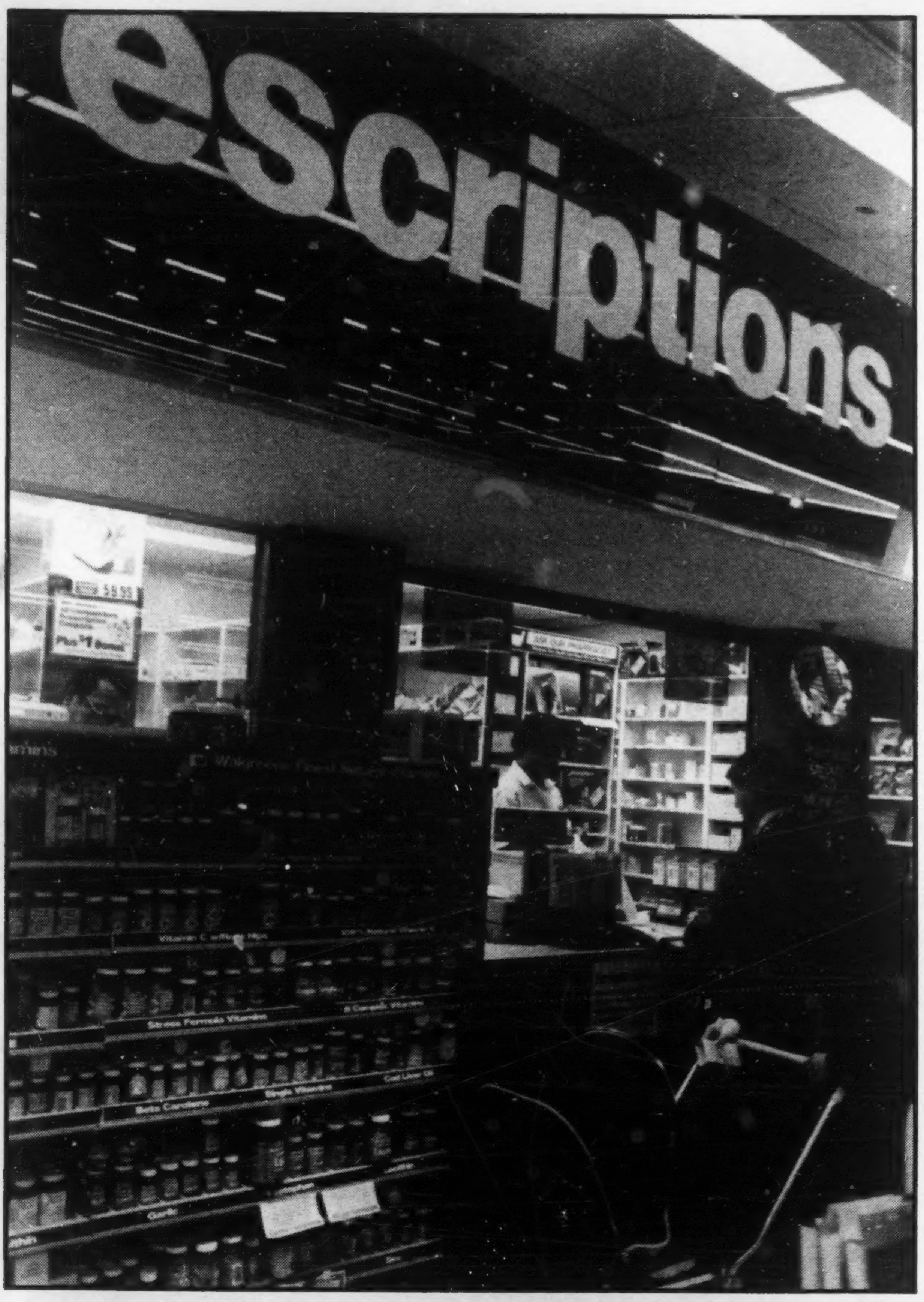
Top pharmacy operators



Pharmacy is the fastest-growing part of Walgreen's business, and prescriptions are the biggest single sales component.

Walgreen Rx $ top U.S. retail pharmacy market

DEERFIELD, Ill. — When Walgreen Co. describes itself as "the strongest pharmacy franchise in America," its executives aren't indulging in hyperbole.

The chain's 1,543 pharmacies coast-to-coast racked up $2 billion in prescription sales in fiscal 1990 — that works out to well over $1 million in Rx sales per store — and accounted for 6 percent of all retail prescriptions sold in the U.S.

For the ninth straight year, Walgreens' pharmacy sales were up more than 20 percent for the year. Chairman Charles R. Walgreen III calls pharmacy "the fastest- and most consistently growing part of our business"; with a full third of total company sales, prescriptions are also the biggest single sales component, by far.

For a drug chain whose stores carry everything from frozen foods to household chemicals, prestige fragrances and camera

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Retail pharmacy a whole new ballgame

Continued from page IP1

wholesale clubs. Supermarket chains *en masse* have poured their best resources and marketing efforts into glitzy, supersized combo stores that deliver not only full-service pharmacies, but complete drug stores alongside a vast array of food and non-food departments in a one-stop shopping powerhouse. Wal-Mart, which hardly existed two decades ago, is churning up small and mid-sized markets across the country and already has more than 1,000 pharmacies in operation.

For both pharmacists and pharmacy customers, the choices of where to work and where to shop have exploded. Drug stores, in particular independents but also including chain operations, are scrambling to maintain their traditional lead in the battle for pharmacists to staff their prescription departments, as well as the customers to shop them.

Gone are the days when food and discount store druggists had to overcome big obstacles to win the trust of customers. "We're over that hurdle as an industry," said Harvey Durand, group vp for drug and general merchandise at Vons, earlier this year.

"We've already got an advantage over the drug stores in convenience," he added. "If we can outperform them in service and price, we've got the business."

That realization has been central to the efforts of mass merchandisers — including

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Pharmacy competition escalates in drug, food and discount chains

Chains	Pharmacies	Total drug retail outlets	Total sales	Total Rx filled	% paid by 3rd party
1 Rite Aid	2,315	2,401	$1.3 bil[1]	64 mil[1]	45%
2 Eckerd	1,680	1,680	1.2 bil[2]	70 mil[2]	—
3 Walgreens	1,543	1,579	2.0 bil[3]	—	—
4 Kmart	1,200	2,300	—	—	—
5 CVS[4]	1,137	1,350	—	—	—
6 Revco	1,119	1,137	756 mil[5]	68 mil[5]	31
7 Wal-Mart	1,075	1,503	1.0 bil	—	—
8 Hook-SupeRx	977	1,083	—	—	—
9 Medicine Shoppe	858	858	475 mil	25 mil	28
10 American	674[6]	678[6]	—	—	—
11 Thrifty	655	656	—	—	—
12 Shoppers Drug Mart	637	637	—	25 mil	—
13 Thrift	490	490	—	—	—
14 Kroger	488	1005	—	17 mil[7]	—
15 Safeway, Inc.	325	1108	—	—	—
15 Big B	325	328	200 mil[8]	10 mil[8]	25
17 Pay Less	320	320	—	—	—
18 Reliable Drug	263	265	180 mil	—	30
19 Longs	256	256	—	—	—
20 Albertson's	254	525	—	—	—
21 Perry	228	228	200 mil[9]	12 mil[9]	66
22 Phar-Mor	214	214	—	—	—
23 Drug Emporium	200	200	—	—	—
24 Fay's	190	190	—	—	—
25 SGC-Pathmark	178[10]	178	—	—	—
26 Jean Coutu	175	175	—	—	—
27 K&B	160	161	—	—	—
28 Medi-Save	116	120	—	—	—
29 Harco	114	114	—	—	36
30 Lucky	111	412	—	—	—
31 Pharma Plus	108	108	—	—	60
32 Big V	107	107	343 mil[11]	—	—
32 Arbor	107	107	141 mil[12]	—	60
34 Giant Food	102	152	—	—	—
34 Super D	102	102	—	—	—
36 Shopko	101	104	—	—	—
37 Fred Meyer	99	126	—	—	—
38 Vons	96	321	—	—	—
39 Genovese	96[13]	96[13]	125 mil	—	—
40 F&M	95	95	—	—	—
41 Kerr	93	93	—	—	28
42 Smith Mgt.	92	96	90 mil	4 mil	41
43 Wakefern[14]	89	110	—	—	—
44 H.E. Butt	87	152	—	—	—
45 Skaggs Alpha Beta	81	81	—	—	—
46 SupeRx[15]	77	83	—	—	—
47 King Soopers	64	66	—	—	40
47 Apple Tree	64	98	—	—	32
49 LaVerdiere's	61	65	—	—	25
49 Snyder	61	62	58 mil	3 mil	42

1. Rite Aid fiscal year ending March 1990
2. Eckerd fiscal year ending Feb. 1990
3. Walgreens fiscal year ending Aug. 1990
4. Includes Peoples
5. Revco fiscal year ending June 1, 1990 (1800 stores)
6. Includes 144 Jewel Oscos with pharmacies
7. Kroger fiscal year ending Dec. 30, 1989
8. Big B fiscal year ending July 1990
9. Perry fiscal year ending Oct. 31, 1989
10. Includes 32 freestanding drug stores and 146 food store pharmacies
11. Big V fiscal year ending Sept. 1990
12. Arbor fiscal year ending July 31, 1990
13. Includes two Great American deep discount stores
14. Includes Motts, Big V, Foodarama, Village, and other independents
15. Includes Medicare-Glaser only

Source: Drug Store News/Inside Pharmacy research

Wal-Mart brings its strengths to bear on pharmacy

BENTONVILLE, Ark. — Which competitor are you most concerned about these days? If you said Wal-Mart, you're not alone.

The $26 billion retail juggernaut out of America's heartland is still sending tremors into dozens of new markets, from Texas and Florida in the south to Wisconsin and New York in the north, and coast-to-coast from Maine to California. No retailer that deals in food, drug or general merchandise — including the nation's drug stores — is immune from the competition.

pharmacy
PHARMACY
Rx
Rx
Professional Pharmacists •
Quality Medicines • Lowest Everyday Pr
67¢

Wal-Mart's 1,075 pharmacies will generate more than $1 billion in prescription sales this year.

Many retail pharmacies have already felt the heat. It may surprise some to know that Wal-Mart is already one of the nation's biggest retailers of prescription drugs. Its 1,075 in-store pharmacies will generate well in excess of $1 billion in prescription sales this year, business that once went to drug stores and other pharmacy competitors.

Wal-Mart has scored big gains in prescription sales by applying the same winning formula to pharmacy that it has applied to its other businesses. That strategy — combining aggressive buying and dealmaking with low everyday prices and high levels of customer service and satisfaction, in huge, well-stocked mass merchandise emporiums — has made Wal-Mart the nation's most respected retailer in the past decade. Wal-Mart will soon outstrip its two chief rivals, Kmart and Sears, as the undisputed leader in U.S. general merchandise retailing.

Since Wal-Mart does nothing in a small way, it is safe to say it has similar ambitions for the pharmacy and food business. The chain recently bought out a major food wholesaler, McLane Co., and has already begun testing large-scale grocery sections in its huge stores. Its penetration of the pharmacy business is older and better-established.

What's more, Wal-Mart is pushing to add pharmacies to most of the rest of its 1,470 Wal-Mart stores, and has begun opening them in its 135 Sam's Wholesale Clubs. "We're adding pharmacies where our lease allows it," said Clarence Archer, vp-pharmacy operations.

What gives Wal-Mart such impact is its enormous distribution muscle, which allows it to purchase merchandise — including pharmaceuticals — at the best possible price and pass much of the savings on to consumers. Adding to the chain's impact is its blitzkrieg-like growth rate; it is opening large-scale, one-stop megastores at the clip of about 200 stores a year. These units are being added to a nationwide retail powerhouse with unprecedented market reach and the most efficient, cost-effective method of delivering product to the marketplace in the business.

This report also examines Kroger's pharmacy operations — see page IP21

"Let's face it," said Bill Harris, vp-non-foods merchandising at Randall's Food and Drug in Houston, "you look at the impact of Wal-Mart on your market, and you see they're doing a lot of things right."

Wal-Mart's pharmacy business derives its strength from the chain's well-known everyday low-price policy and its reputation for customer service, said Archer. The chain's rapid growth and solid reputation are also helping attract career-oriented pharmacists, he said.

Walgreens tops the American retail pharmacy market

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supplies, this is a remarkable achievement. In the past decade, in fact, Walgreens has propelled its pharmacy business from 15 percent of total sales to 33 percent of sales.

Several factors have played a role in the renewal of Walgreens' core Rx business. The central factor: a decision by Walgreens' top executives in the 1970s to get out of distracting ancillary businesses — like discount stores, optical centers and in-store restaurants — in order to focus on the health and beauty care strengths that had made Walgreens a household name to begin with. That effort resulted in a complete remerchandising of the drug store, with the pharmacy regaining position as the central focus of the store.

"[Our corporate strategy] was to get out of all peripheral businesses, and focus on what we do best — running drug stores," said Walgreens' chairman. "This was a planned and focused strategy to position us as strongly as possible to run the most convenient, best-merchandised, and most technologically advanced drug stores in the business."

Mindful of the tremendous growth in competition and the blurring of trade class lines, Walgreens is positioning itself as "the independent drug store of the '90s," with the accent on customer service, convenience and trust.

Walgreens' strategy was no accident: it envisioned the aging of the population, which is driving prescription growth; the growth of third-party payment systems; and the increasing reliance of health care plans on prescription drugs vs. surgery and other, more expensive health-care alternatives.

Along those lines, the company has spent heavily to build its Rx business with the most advanced technology it can muster. Its Intercom system is a powerful marketing tool, enabling Walgreens pharmacists to call up any patient's prescription files at any Walgreens pharmacy in the country, 24 hours a day. The system also provides for on-line third-party verification in many cases, and "has removed a lot of the bookkeeping, accounting, and clerking functions away from our pharmacists," said Bill Thien, vp-health services.

Walgreens is constantly tinkering with the Intercom system to improve it, and promotes the system extensively in its print, TV and radio advertising.

Another factor behind the growth in Walgreens' prescription business has been its aggressiveness in going after third-party accounts. In the past two years, the chain has tempered that approach in a bid to boost profits. Said former president Fred Canning early this year, "Our pharmacy technology and market coverage make us attractive providers for third-party carriers, and we compete successfully for the business, but we will not get into bidding wars and take contracts which make no profit sense.'

Walgreens has also built prescription sales with 24-hour stores in some of its major markets. Soon, the chain will unveil an "800" access number for traveling customers to locate the nearest Walgreens pharmacy.

Strong pharmacy presence in voluntaries

Wholesaler	Voluntary	Number of pharmacies in voluntary	Number of pharmacy outlets served overall	
			Retail	Hospital
McKesson Drug	Valu-Rite	3,288	14,500	2,000
Cardinal Distribution	Associated Druggists, Good Neighbor Drug, Leader Drug	1,330	3,380	—
Alco Health Services	Family Independent Pharmacy	1,102	6,965	—
Bergen Brunswig	Good Neighbor	904	8,000	2,000
FoxMeyer	Health Mart	646	3,787	957
Durr Fillauer	Price Guard	350	1,600	550
Harris Wholesalers	Health Plus	300	3,000	150
Owens & Minor	Cardinal Drug Centers	200	1,100	205
Commons Bros., Inc.	Display Well	120	620	—
Drug Guild Dist.	—	—	600	—
Legend	—	—	720	—

Source: Drug Store News/Inside Pharmacy research

Retail pharmacy is a whole new ballgame

Continued from page IP17

food stores, discounters, even wholesale clubs — to delve deeply into the prescription drug gold mine and wrest share away from traditional drug stores. In return, many drug store and deep-discount drug store operators have given as well as they've got, redoubling efforts to rebuild their core health and beauty care franchise while cutting in on the convenience food turf offered by their competitors. Wal-Mart, meanwhile, is pushing both ways with both pharmacies and ever-larger grocery sections in its stores.

The result: a fundamental, ongoing erosion in the barriers that used to clearly separate and define different classes of trade. In the words of one drug store executive: "Everybody is our competition these days."

In this report, we've examined the top pharmacy operators in each class of trade — Walgreen Co. for drug chains, Kroger Co. for supermarket chains, and Wal-Mart for discount mass merchants. Each company has adapted aggressively and resourcefully to an era of blurring trade class lines, time-strapped consumers and market segmentation. Each deserves a special look.